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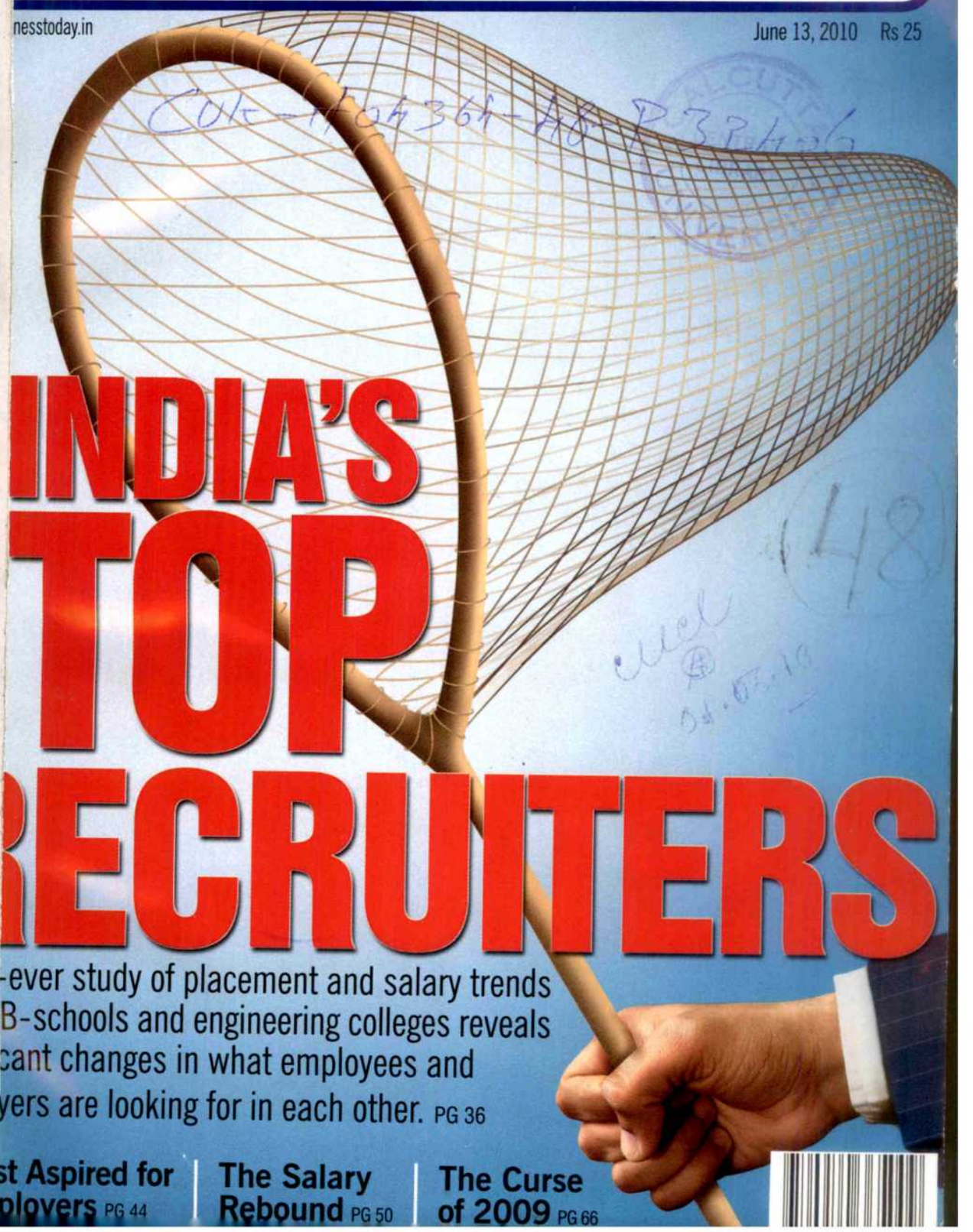

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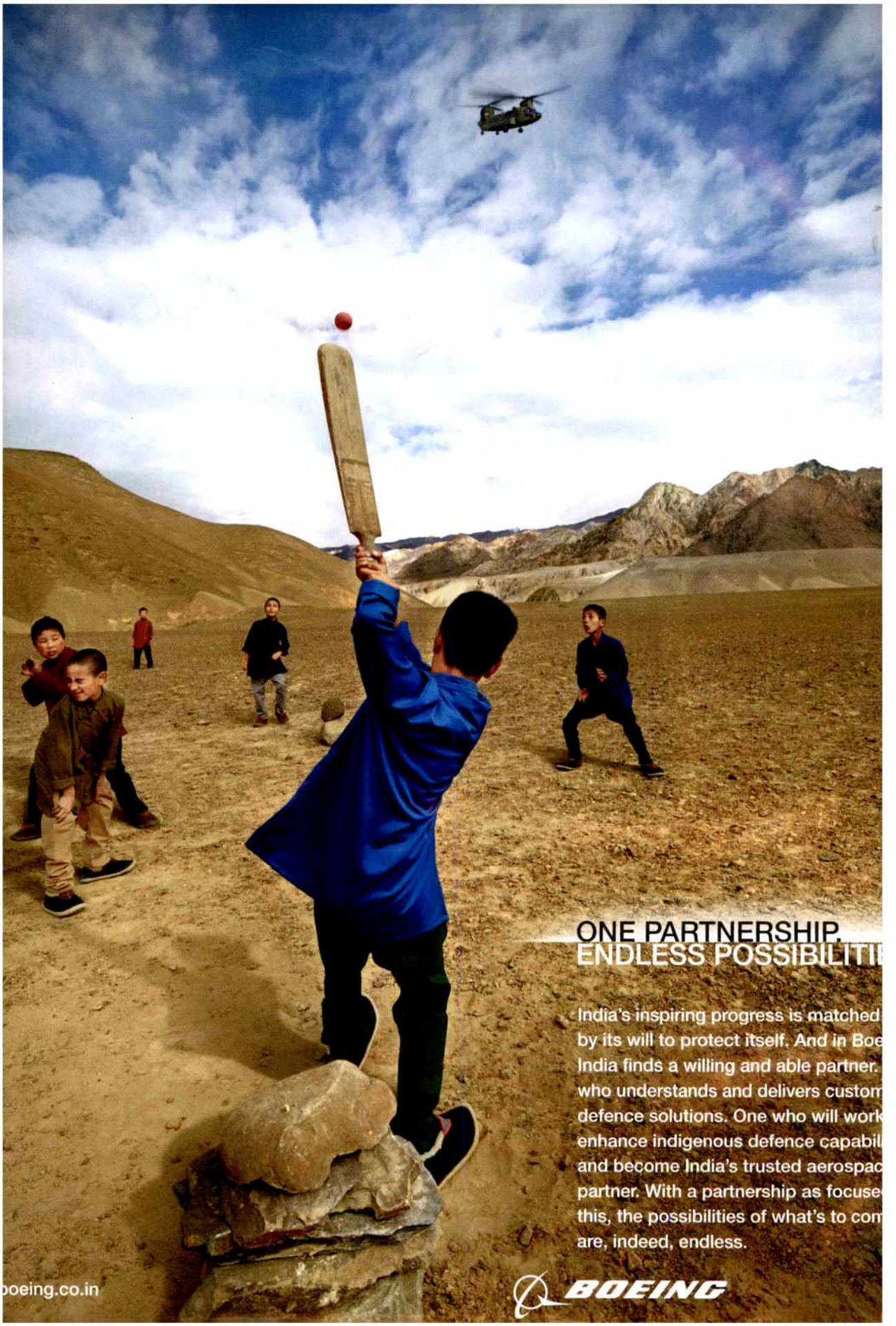
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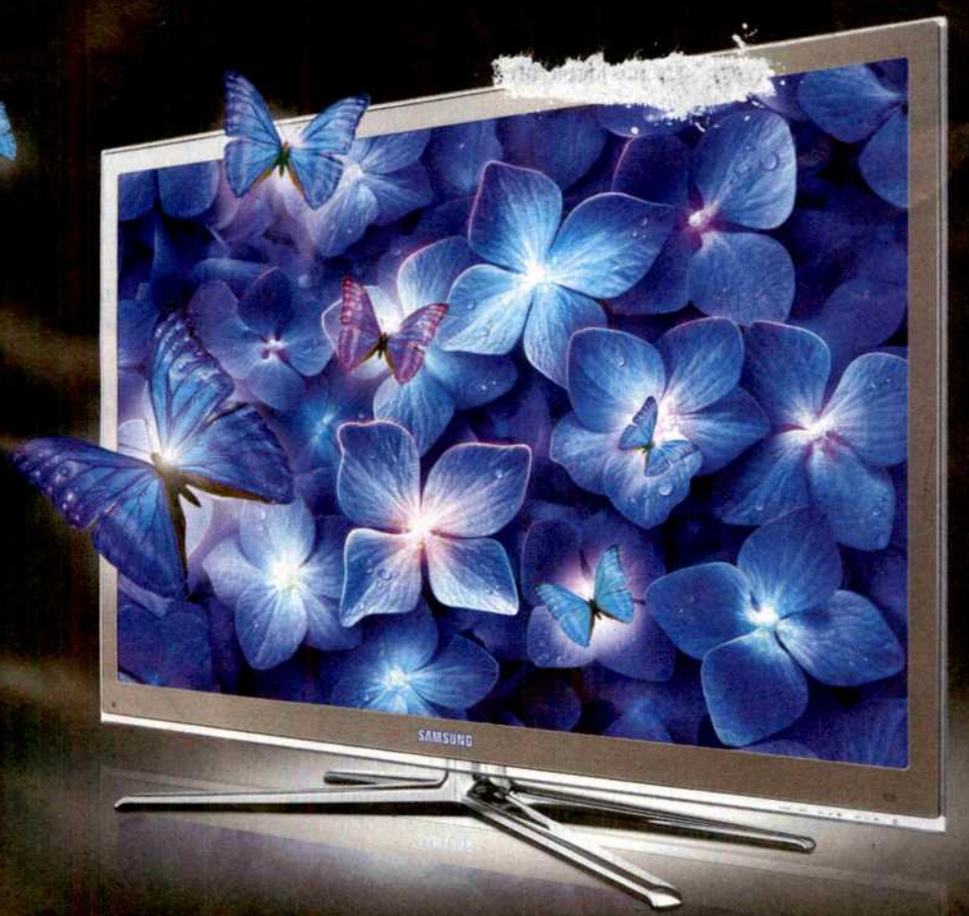

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From the Editor

In the last couple of months, some two lakh Indians have entered the job market for the first time in their lives. This premise is based on a conservative estimate of 1,000 business schools and engineering colleges, each having placed an average of 100 students with different companies in the placement season that's just ended. For a job fest of this magnitude, the annual campus recruitment has been a surprisingly understudied phenomenon. Of course, random news items of a company offering a record salary or an institute finishing placements in a record time do appear during the months of March and April. But a thorough and organised review of recruitments—both from the perspective of jobseekers and job providers—has been lacking.

This is what we set out to do, rather ambitiously some would say, three months ago. The exercise saw several ups and downs—for us and for our two knowledge partners MBA Universe and Synovate. The final result, however, is a significant step forward in capturing this single most important phenomenon in the Indian job market. Apart from always interesting facts and figures on salary and hiring, the package also highlights the evolving trends for all three stakeholders—the colleges, the students and the companies. Sample this quote from a B-school grad that reflects the maturity that has dawned on the college campuses following the wrenching experiences of 2009: "If you have a sound career trajectory in place, compensation will follow"—implying that a majority of passouts this year is weighing job profile and employer background higher than the starting salary. This patience over pelf is a watershed realisation—for jobseekers and for jobgivers. More such analyses await you in our cover package. An important caveat before you proceed to page 36: Our methodology is still a work in progress; so please read carefully the footnotes of the tables and other explanations on the methodology in the cover package. We will return with an even more comprehensive study next year.

Patience isn't a virtue only on campuses. On page 96, we tell you why and how Daimler, the world leader in trucks, is spending a full six years in India before launching its first 'made for India, made in India' truck. Our *HBR* exclusive (page 106) explains why building a patient partnership with the business you have acquired is better than trying to integrate it into your existing business. Was it patience—mixed with luck—that helped PNB almost unseat ICICI as the #2 bank in India? Find out on page 74.

Rohit Saran

ROHIT SARAN

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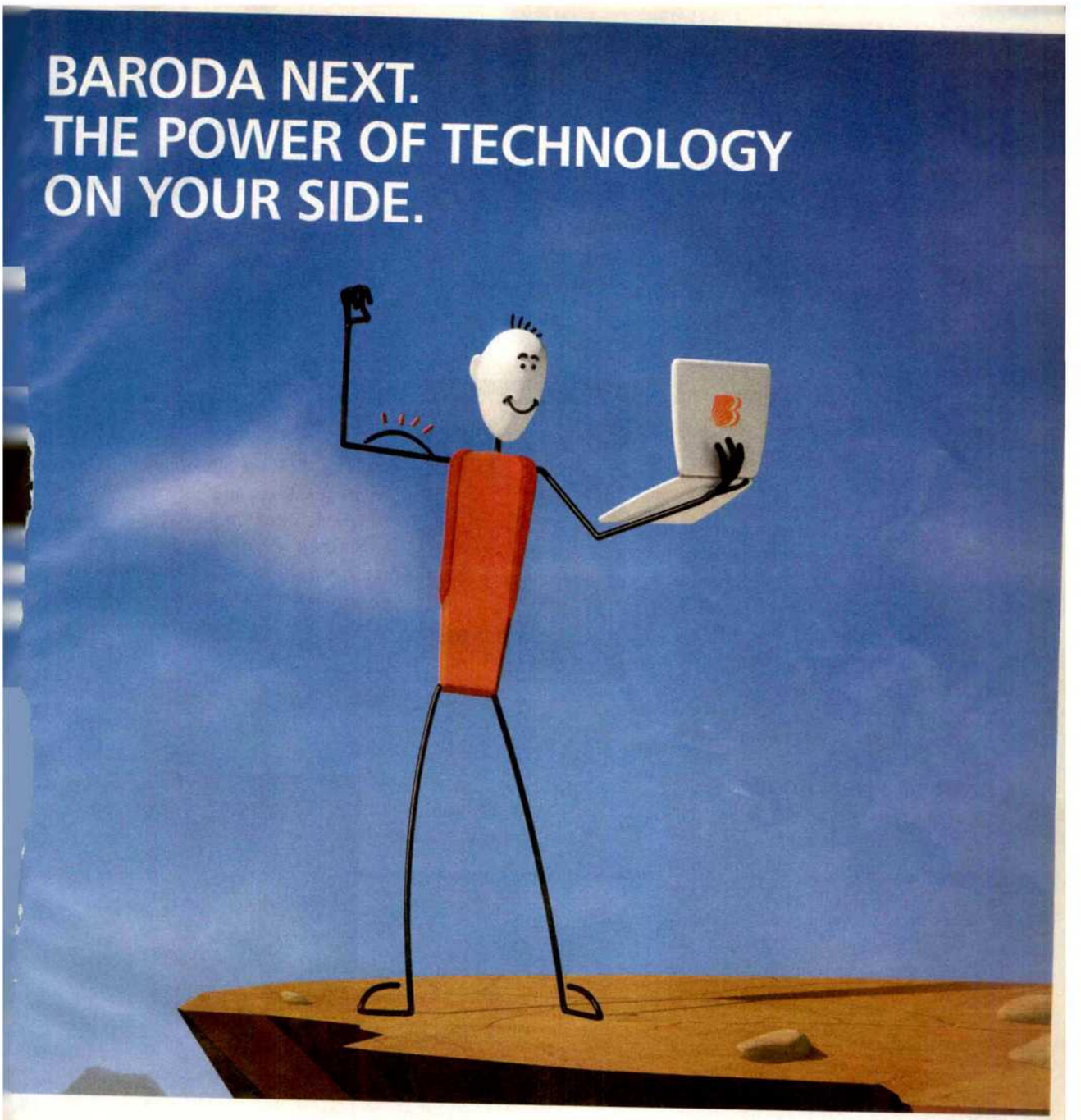
THE POWER OF TECHNOLOGY ON YOUR SIDE.



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Change and Thrive

Innovation (*BT* cover, May 30) reinforces the Schumpeterian truth of living in a competitive business environment in which companies need to innovate constantly if they have to succeed. Thanks to globalisation, Indian companies have started to innovate aggressively in products, services, business models and organisational structures. **Alok Rai**, *Chennai*

A Hot-Java Read

India's Coffee King (*BT* cover, May 16) offered an enjoyable read. The mature treatment of the subject made the story stand out. Without letting any fawning description of the person to creep into the story, you have been able to present a balanced and objective profile of V.G. Siddhartha and his business empire. **M.S.Thimmappa**, *Bangalore*

A Culture of Innovation

Even for big business houses, innovation is no longer a luxury but a basic governance choice. Given that innovation makes a material difference between success and failure, companies, their managements and boards are creating institutional frameworks for new ideas and innovation to thrive within diverse business eco-systems. Sadly, innovation, for most Indian companies, has been more a matter of a low pricing or incremental improvements in the production process rather than the use of new ideas. **Neha Thakur**, *Kolkata*

Role Convergence

The roles of both CFOs and CEOs have a lot in common today (*India's Best CFOs*, *BT* cover, May 2). Traditionally, the CEO has been more the driver and visionary focussed on people and values, while the CFO was more the problem-solver and the analyser. However, while CEOs need analytical skills today, CFOs need vision and are expected to contribute to the organisation's strategic thinking. **Vineet Achyut**, *Delhi*

Dawn of a New Age

The climate for innovation in India is getting better now than it was a few years ago. With MNCs and global companies embracing reverse innovation, where low cost products are developed in emerging markets such as India and then sold worldwide, we seem to have finally entered the age of innovation. And as India continues to open its market to foreign competition, the pressure to innovate will increase and accelerate the development of our innovation ecosystem. **Shashi Shekhar**, *Bangalore*

Movies and Piracy

Moser Baer—Taking on Piracy, Profitably (*BT*, May 30) claims that the company's inexpensive CDs and DVDs are making a dent on film piracy. However, very few new movies are available in Moser Baer prints. Also, it is inaccurate to say that these inexpensive CDs and DVDs will cut into the business of cinema halls. Watching movie in a theatre is an altogether different experience and will continue to draw audiences. **M. Kumar**, *Delhi*

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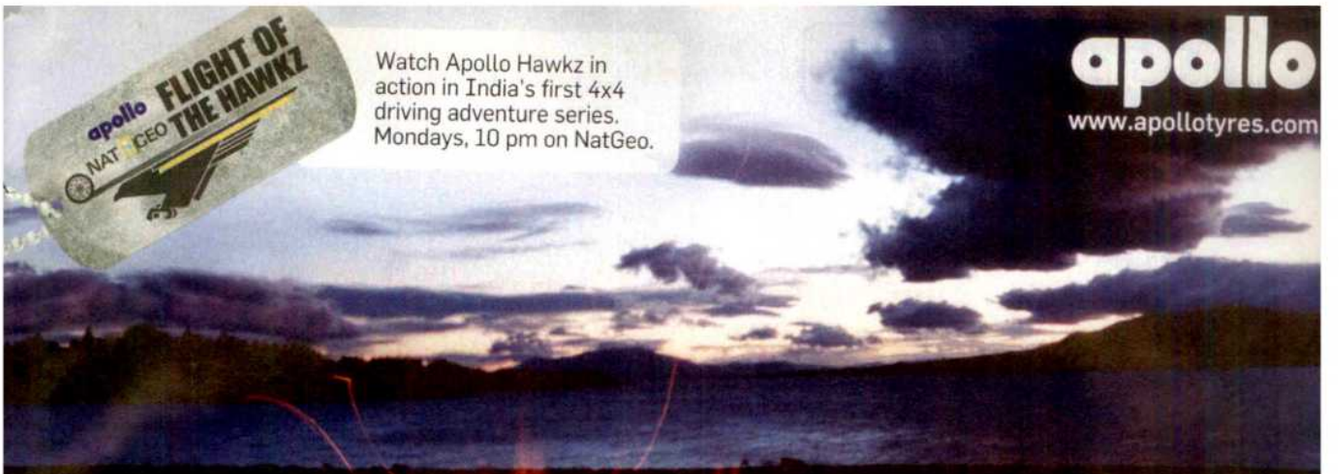

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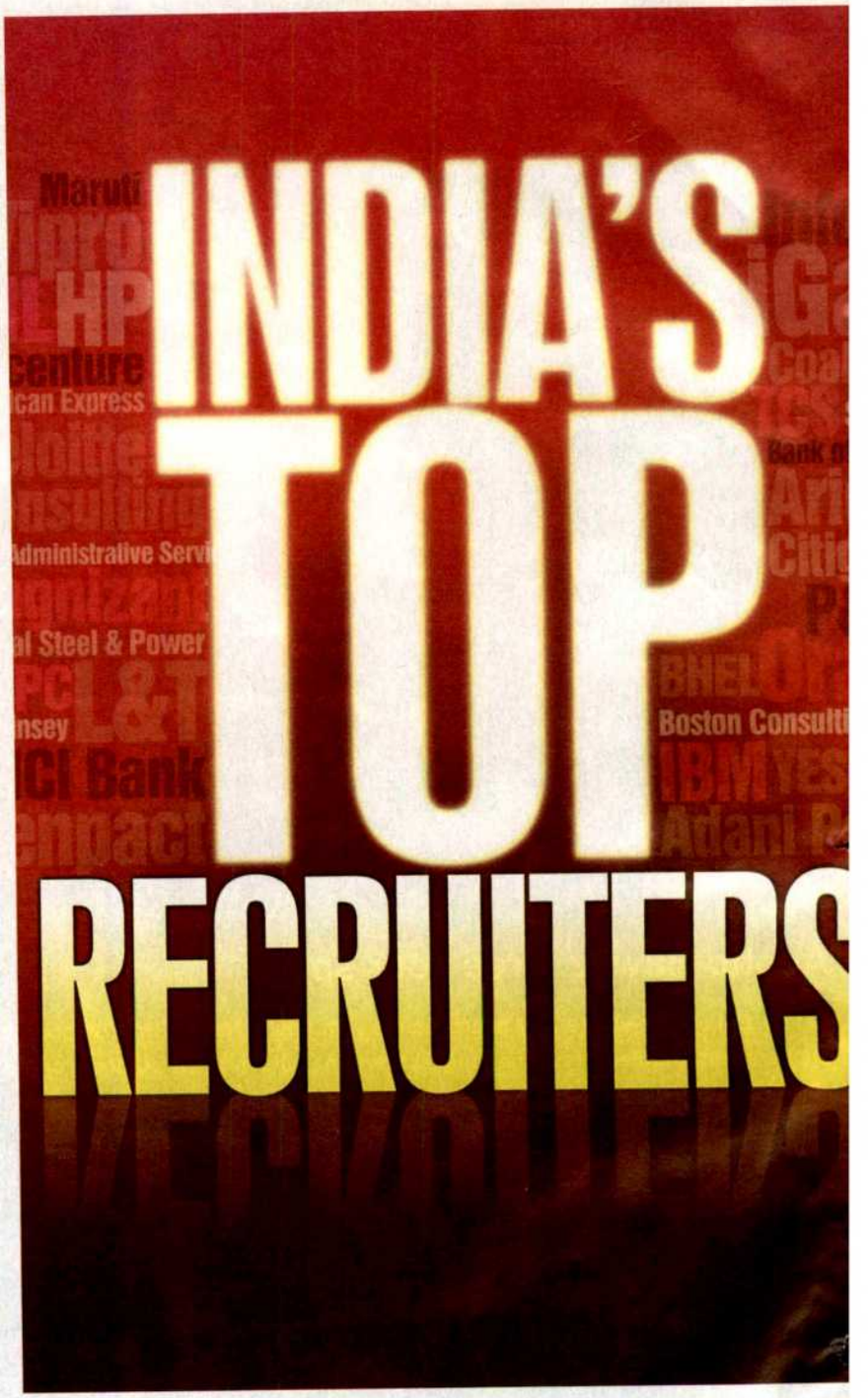

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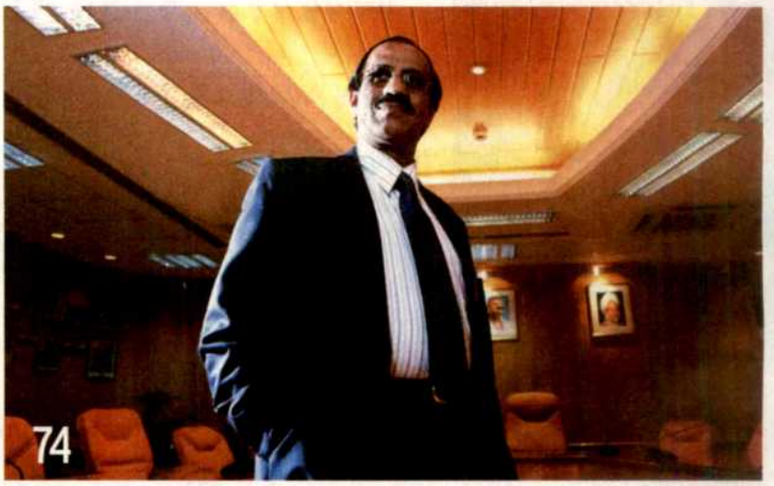

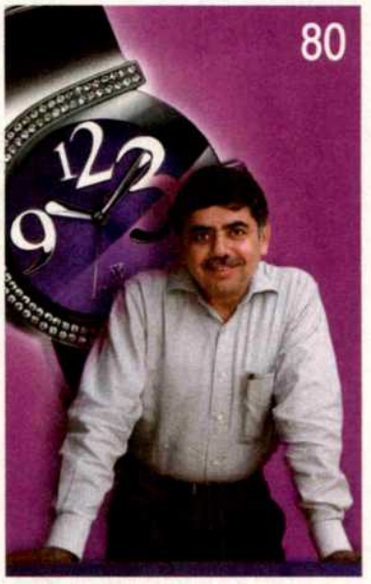

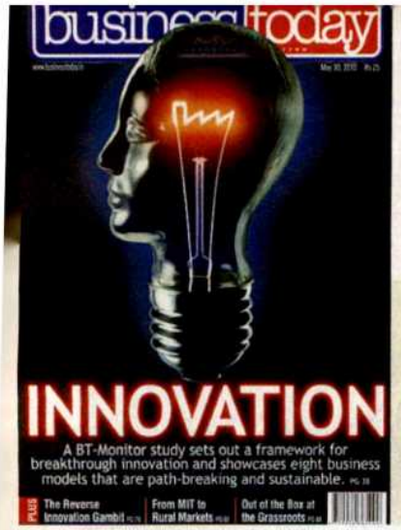

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THE AUDACIOUS SINGH BROTHERS

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Making the 3G Bounty Count

The 3G auctions have swelled the government coffers by almost Rs 70,000 crore. *BT* asks a few economists to give their wishlists on how best the government can use this windfall without frittering it away on wasteful expenditure.

ILLUSTRATIONS BY ALANKAR

Kirit S. Parikh
FORMER MEMBER, PLANNING COMMISSION

"Cut Petrol, Diesel Taxes; Free Prices"

It would be tempting for the Finance Minister to relax and use this money to reduce the deficit and even postpone taking some of the tough decisions that need to be taken to reduce unnecessary and untargeted subsidies.

How should this money be used? First of all, do not use it to expand subsidies that cannot be effectively targeted. It is best used to promote reforms that are urgently needed and that can ward off many headaches in the future. Use this money to free petrol and diesel prices. How could this be done?

What I suggest is this: Lower taxes to the level at which the current retail price would correspond to a free market price for both petrol and diesel and free these prices. There would be no increase in retail prices and so no political fall out. The only thing that needs to be ascertained is whether the loss in tax revenue can be made up by the bonanza.

This is easy to figure out. The

reduction in tax required to move to free market price would be around Rs 2.50 for diesel and Rs 4.50 for petrol (per litre) at a crude price of $75/barrel. The expected consumption of diesel and petrol is around 7,400 crore litres and 2,000 crore litres, respectively, in 2010-11. The loss in revenue on petrol and diesel together, if the current price trend continues for another week or so, would be around Rs 25,000 crore. This is an opportunity to get rid of, once and for all, the problem of under-recoveries on account of petrol and diesel that plague government finances.

What to do with the rest of the money? Part of it should be used to reduce fiscal deficit and part to subsidise poor consumers of 3G-enabled services or increase access to broadband services. If the government wants to use the money for spreading broadband services, my suggestion is to promote development of infrastructure to connect all villages but not subsidise the price of service.

Sachchidanand Shukla

CHIEF ECONOMIST, ENAM SECURITIES

"Focus on Physical Infrastructure"

India is a supply-constrained economy. There are huge gaps in terms of physical infrastructure. The best way to channelise this money is to increase India's capital expenditure towards building physical infrastructure such as roads, power and ports. One can argue that even our social infrastructure is equally pathetic, but political differences would make progress on that front difficult. Besides, the returns from physical infrastructure are far higher over a longer period.

According to Planning Commission estimates, India needs $50 billion in the next five years just for physical infrastructure. The 3G money is probably one-fifth of our requirement. The entire amount can be diverted towards physical infrastructure. In addition, the government needs to reprioritise its expenditure programme.

But a spike in commodity prices, including crude, would make macromanagement difficult. If oil prices climb back to $80/barrel levels, we may end up using the money in plugging fiscal deficit. Also, it is highly likely that the money will get absorbed to counter the rising fertiliser and food subsidy bill in FY'11. I think it's a one-time bonanza, and government should use the money for nation-building rather than compressing its deficit.

The Wishlist

Kirit Parikh
- Cut taxes on fuel, free prices
- Spread broadband infrastructure
- Reduce fiscal deficit

Sachchidanand Shukla
- Spend on physical infrastructure—roads, ports, and power
- Don't use it to compress the deficit

Ashima Goyal
- Plug the fiscal and revenue deficits
- Improve broadband infrastructure

Ashima Goyal

PROFESSOR, IGIDR

"Cut the Deficit"

The money can be used to plug the deficits (fiscal and revenue). The current fiscal deficit at 6.7 per cent (of GDP) and revenue deficit at 5.3 per cent are alarmingly high. Given government's record of not spending money effectively, it is better to retire debt. This will not only reduce the cost of borrowing but also improve India's image on the global map. After the Greece crisis, markets across the world are worried about sovereign debt. If India becomes the first country to reduce its debt, it will boost the world's confidence in India.

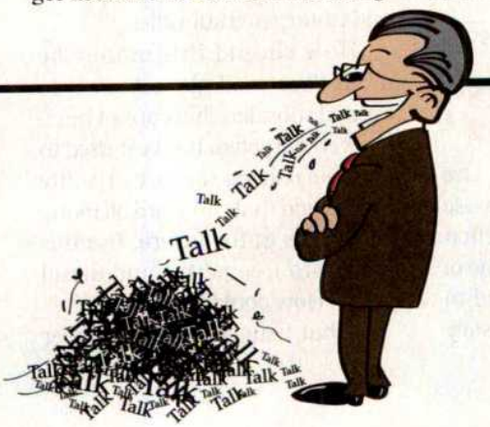
The money can also be used to increase broadband penetration. The rapid deployment of broadband will be of great utility for everyone. With high-speed broadband connectivity, people in rural areas would be able to easily access information on markets, products and latest farming techniques.

So far, we are lagging behind other nations in terms of broadband access. For example, Internet service providers in India offer 256 Kbps and call it broadband; whereas in the US the minimum broadband speed is 1 Mbps.

WORDSMITH

NEW WORDS IN BUSINESS

GLIBIDO



WHAT IT MEANS

Corporate-speak for all talk and no action.

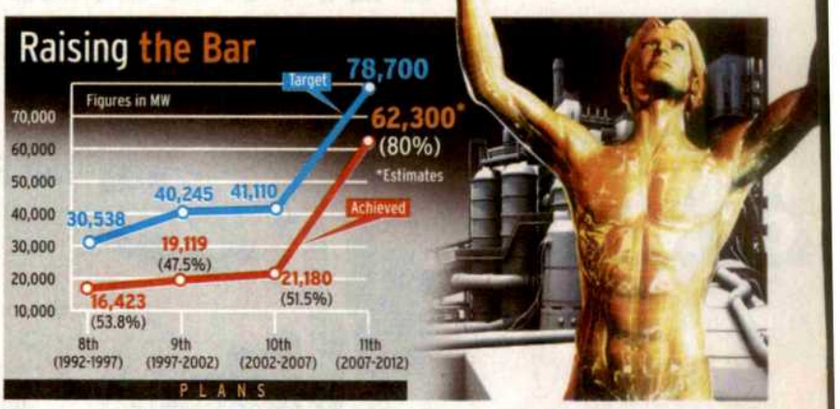
Powering Ahead, Finally

Capacity addition during the 11th Plan improves significantly.

As the mercury soars to record new highs this summer, most parts of India reel under a familiar problem—chronic disruptions in electricity supply. Another grim reminder of the magnitude of the power crisis confronting India.

This piece of news, though, could offer some solace. Almost 9,600 MW of capacity was added in 2009-10. While way short of the capacity addition target (66 per cent), it's still the highest achieved in a single year in India. The Central and State sector utilities toted up 5,298 MW, a capacity equivalent to the peak demand met in Gujarat and twice that of Delhi, last year. The power sector pundits estimate that the 11th Five-year Plan (2007-2012) is likely to end with a capacity addition of 62,302 MW—almost three times the capacity added in the 10th Plan period (2002-07).

The reasons for the resurgence? The timely commissioning of a few large power projects, spillover effect of some projects from the last five-year Plan, and the rise of the private sector against heavy odds. At the end of 2011-12, when the 11th Plan ends, the private sector is likely to add 19,000 MW, which is 10 times its achievement during the previous Plan.



The Centre is targeting 1 lakh MW capacity creation during the 12th Plan (2012-17), 60 per cent of which is expected to come from the private sector. But problems remain. It takes five to six years to commission a large power plant in India, while a comparable plant in China takes about three years. A plethora of clearances and land acquisition problems slow projects in India. The government could cut layers of bureaucracy where feasible and quicken land acquisition and approvals.

Now consider this: At about 720 units, India's per capita consumption is less than five per cent of the per capita consumption in the US, and less than 20 per cent than that of China. The global per capita consumption is about 2,340 units. So, clearly, it's a long haul ahead.

K.R. BALASUBRAMANYAM

High Voltage

- Highest power capacity addition in a single year (9,600 MW) in 60 years
- Addition during 11th Plan likely to be three times that in the 10th Plan
- 80 percent 11th Plan target likely to be met—another record
- Private sector contribution to increase 10 times in 11th Plan

ORIGIN

Derived by combining the words glib and libido, the word has crept into management jargon in the last decade, especially in American tech circles.

USAGE

His speech is just glibido; nothing concrete is likely to come of it.

PIIGS Can't Fly But FII Bucks Sure Can

The European crisis and its subsequent management will hit inflows from the FIIs, but only in the near term. RAJIV BHUVA

NUMBERS OF NOTE

2,500
KM

The length of highways India plans to build in fiscal 2010-11, according to the Planning Commission. In fiscal 2009-10, about 2,000 km were rolled out.

41.88
LAKH

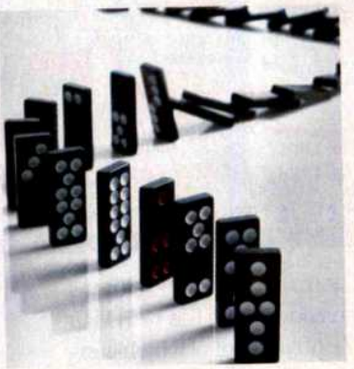
The number of passengers flown by domestic airlines in April, a seven per cent increase from March 2010 and a 26 per cent hike from April 2009.

$1 BILLION

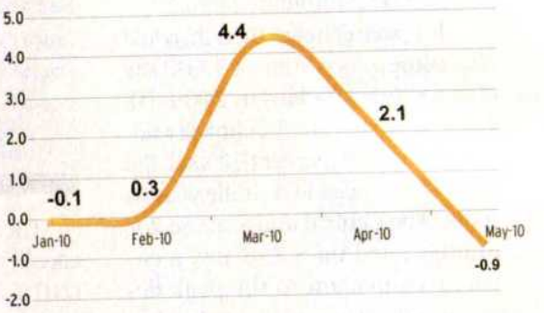
The projected value of Indian organic food exports in five years, according to Agricultural and Processed Food Export Development Authority (APEDA). At present, it is about $125 million.

65 PER CENT

Software piracy levels (as % of total sales) in India in 2009, down from 68 per cent a year ago, according to a BSA-IDC report. Worldwide piracy rates have grown to 43 per cent in 2009, from 41 per cent the year before.



Net FII Inflows Turn Negative



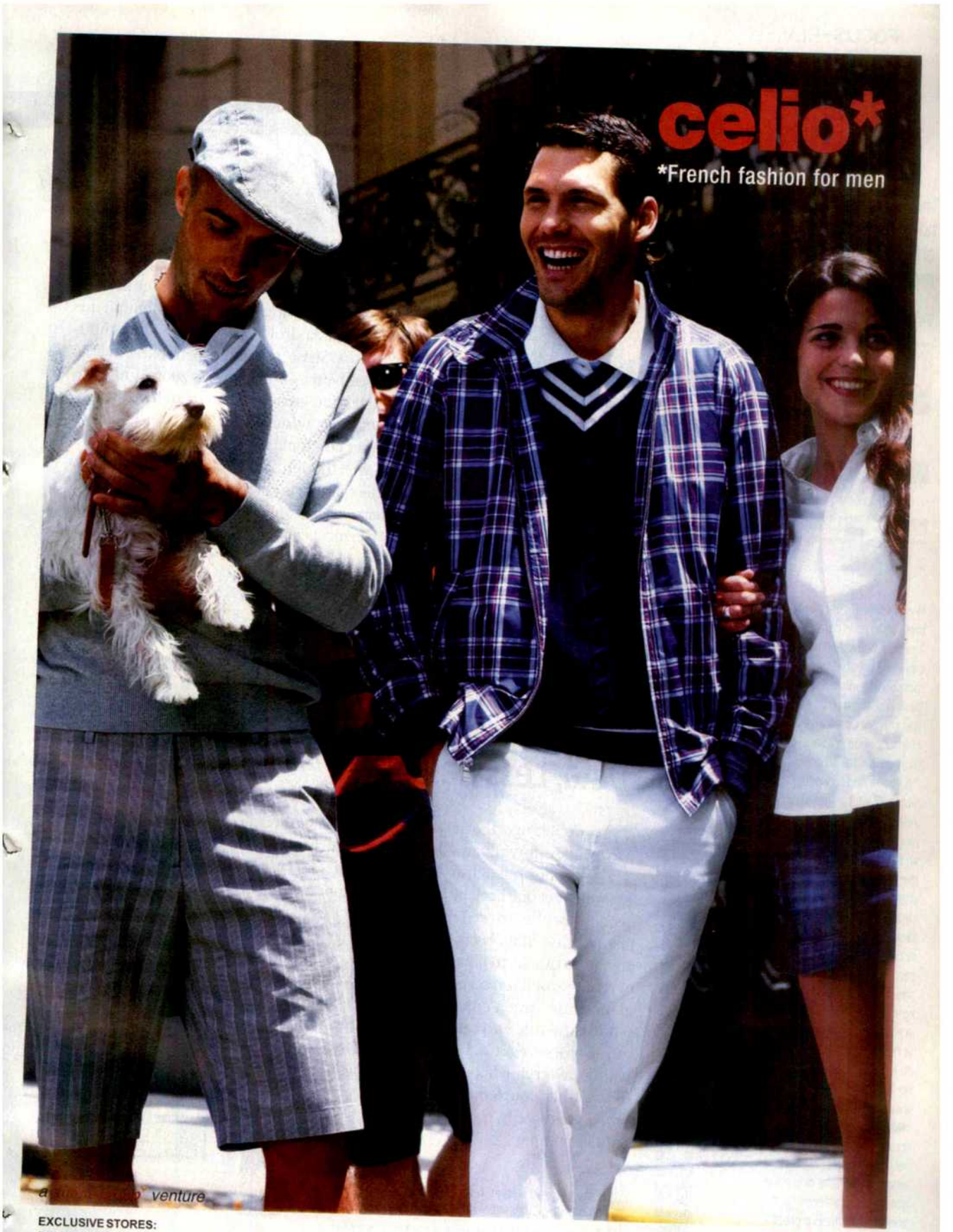
Citigroup, in a recent report, has dubbed it the €750-billion 'backstop'. A backstop in investing jargon is the last-resort support often provided by an underwriter to buy unsubscribed shares in a securities offering. Indeed, as the Citi analysts go on to suggest, the bailout package designed by the European Central Bank (backed by the International Monetary Fund), which amounts to more than eight per cent of the euro zone's GDP "will buy some time for the most stretched countries to address their fiscal excesses." The stretched countries being Portugal, Ireland, Italy, Greece and Spain or 'PIIGS' as they are called collectively.

So, to cut to the chase, what does the rumble in the euro zone mean for Asian and emerging economies? The wise men at Barclays, in a recent report, put it this way: "We consider the supportive macroeconomic and policy environment in the emerging world and the new policy framework in Europe to be sufficient to shore up the resilience of emerging markets."

In case you're still wondering, that's good news if you are in India, or in Asia. For example, real GDP in China increased nearly 12 per cent on a year-ago basis in the first quarter of 2010 (although fears of an overheated property market and inflation spiralling out of control are two dampeners in the immediate term). And the expansion is not confined to China alone. Many other countries in the region, including the large economies of India, Korea and Taiwan, are posting positive growth rates.

So, is the European crisis positive for Asia? "Not on an absolute basis," says Rob Carnell, Chief International Economist at ING. "But in a relative sense, it is positive in terms of investors flows, currency and capability to issue debt," Carnell adds.

Yet, knee-jerk reactions to the euro crisis were evident in significant selling by foreign institutional investors (FIIs). Against $2.1 billion of net inflows in April, FII net outflows had touched $866 million by May 19. "If the crisis worsens, 20-30 per cent of the current year's FII inflows may flow out," says Deepali Bhargava, Economist with ING Vysya Bank. "But that is an extreme scenario," she adds. "In the medium term, flows to India would resume," says Ramit Bhasin, MD & Head-Markets (India), Royal Bank of Scotland. "But volatility is here to stay in the near term."



EXCLUSIVE STORES:

DELHI: DLF Place, Vasant Kunj, Tel: 011 46609068; Shop no. 41A-B, Khan Market, Tel: 011 45651897; G-9A, Janak place, District centre, Janakpuri, Tel: 011 45651605; Great India Place Mall, Noida, Tel: 0120 4212382. **MUMBAI:** Palladium Mall, Lower Parel, Tel: 022 40802301; Cusrow Baug, Coloba Cause Way, Tel: 022 22841769; R-City Mall, Ghatkopar (W), Tel: 022 65148225; Inorbit Malls, Vashi, Tel: 022 65157005. **BANGALORE**: Brigade Road, Tel: 080 41232181; Mantri Mall, Malleswaram, Tel: 080 22667018. **CHENNAI**: Ampa Skywalk, Nelson Manickam Road, Tel: 044 43300452. Also available in Ahmedabad, Bangalore, Bhubaneshwar, Chandigarh, Chennai, Delhi & NCR, Guwahati, Hyderabad, Indore, Jaipur, Kanpur, Kolkatta, Mumbai, Nagpur, Siliguri, Pune at selected outlets of: CENTRAL lifestyle pantaloons

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Websites

This fortnight, we explain how you can build a single page for personal or professional use.

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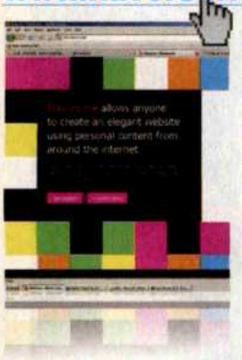


Most people rarely change their browser's default 'landing' page. And now you can even create your own 'personal landing page'. Basically, it's a page where you can put up all aspects of your online profiles—links to your Twitter stream, Facebook and LinkedIn pages as well as links to your office site, personal blog or your photo or video stream. Flavors.me (note the American spelling) allows you to do this with a simple, Flash-based interface with several popular social services linked. You can further personalise your page with images as well as contact information. There are several competing services that allow you to do exactly the same thing, such as www.chi.mp and www.card.ly, but Flavors.me makes the process extremely simple, and the results look great. At a time when your online presence gets more scattered (and confusing), this is a great way for people to get to know you in a snapshot.

KUSHAN MITRA

We try out a slab of aluminium that is also a phone and a brilliant new portable drive

Just Legendary

HTC Legend

Taiwanese phone maker HTC has been making some really sleek devices of late, but it has outdone itself with the Legend. Machined from a single piece of aluminium, this mobile runs Android 2.1 and supports multi-touch. HTC's 'Sense' user interface makes Android look even better—the 'pinch to zoom' functionality gives you greater leverage such as switching between windows (like Alt + Tab on a Windows desktop). The small optical trackpad is also a well thought out new addition. It is not to say there are no problems—getting the SIM card or Micro SD card out is not easy—but this is possibly the most capable Android device out there right now. And given the competition, that is quite a compliment.

KM

- ⊕ Brushed aluminium looks, HTC 'Sense' interface is very smooth, cheaper than competition
- ⊖ Unibody architecture does make SIM and memory card retrieval a tad difficult

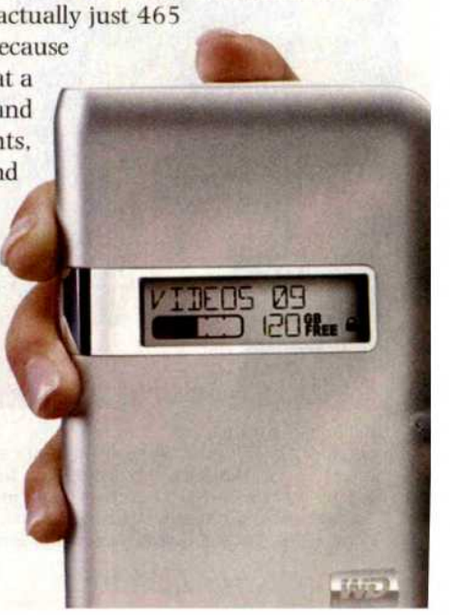
Price: Rs 26,000

More Data, Less Hassle

WD My Passport Studio

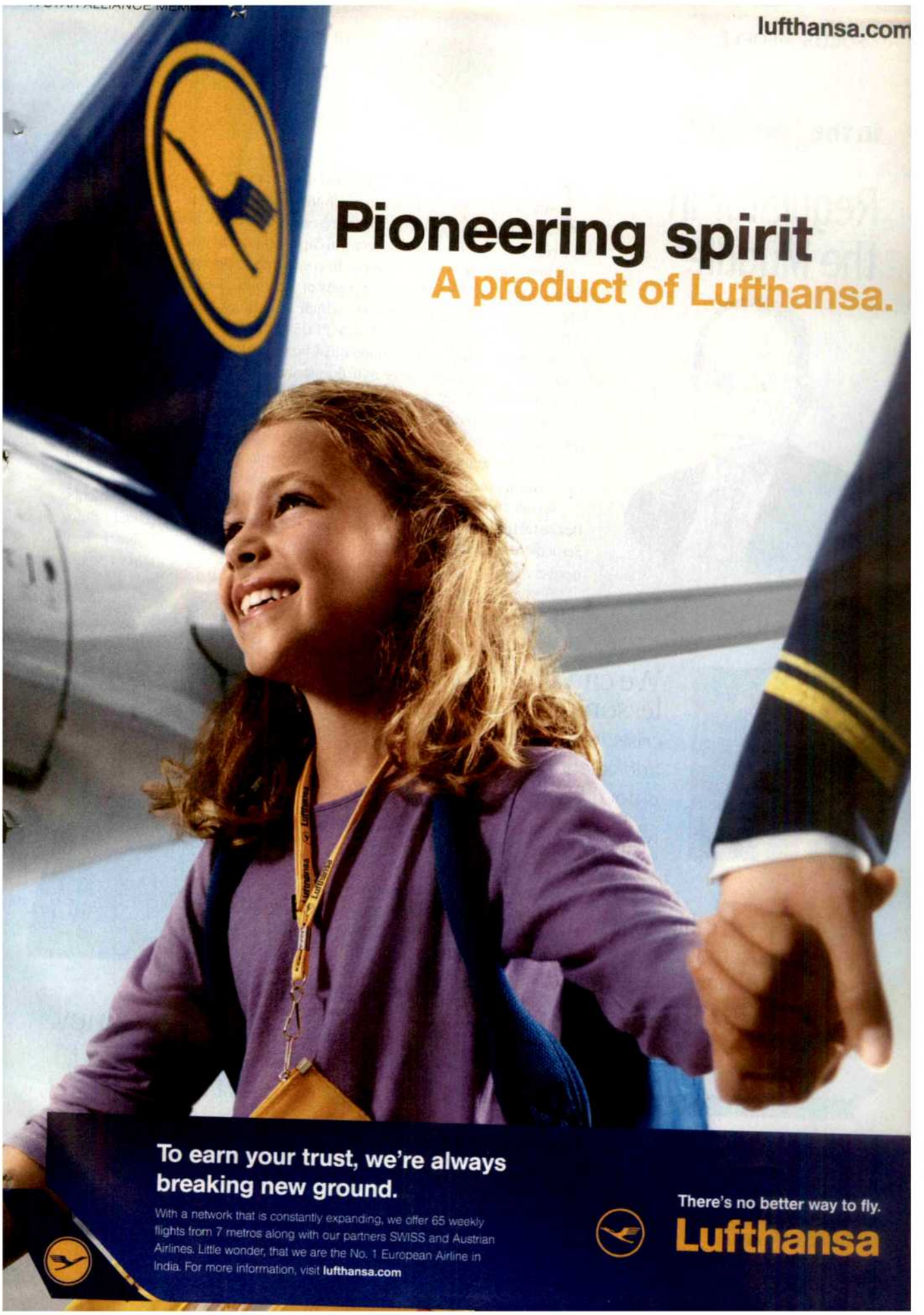
A decade ago, the average home computer had around 10 gigabytes of storage—buying an additional hard drive of similar capacity would mean shelling out at least Rs 10,000. Even two years ago, 500 gigabytes of storage would set one back by a significant amount and one would need a power connection for the drive. This new product from Western Digital is brilliant not just because of its beefy storage capacity (actually just 465 gigabytes thanks to binary scales) but also because of a nifty small LCD screen which tells you at a glance how much capacity you have left and what is taking up your storage (documents, music or movies). So, you can carry it around without worrying about your data. Needless to say that, coupled with the new faster broadband speeds, one will fill this up with data in no time.

KM



- ⊕ Easy-to-read display tells you storage facts, plug-and-play usage with media players
- ⊖ A bit too large to fit easily in a pocket, pricey for the amount of storage

Price: Rs 9,600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In the Spotlight

J S SARMA

Regulator in the Muddle

ALANKAR

J.S. Sarma, the low profile 61-year-old Chairman of the Telecom Regulatory Authority of India (TRAI), was a much-talked about man last fortnight, thanks to the controversy surrounding the recommendations of TRAI on issues like 2G spectrum pricing with 3G bids, spectrum capping and M&A guidelines.

Sarma, of course, is no stranger to controversy. His appointment as TRAI Chairman in May 2009 had raised plenty of eyebrows given the clear conflict of interest—he is ruling on decisions which sometimes he took as Secretary, Department of Telecommunications, in 2005-06. But, for the media-shy Sarma, the intense scrutiny of his actions must be unsettling. In fact, everytime he makes a pronouncement, he seems to drastically impact stock prices. Consider this: Early in October 2009, Sarma blurted out to a pink daily that he would look to officially mandate 'per-second' billing. Concerns on operator revenues drove prices of listed telcos down by a little under 10 per cent in a couple of trading sessions. Sarma scrambled to partially deny the statement attributed to him but most telcos still adopted a 'per-second' plan for pre-paid users within weeks!

Sarma, though, should know a thing or two about handling disagreements. Before taking over as TRAI Chairman, he was a member of the Telecom Disputes Settlement Appellate Tribunal (TDSAT). An IAS officer of the 1971 batch, he'll need every bit of experience to sort out the current mess. KUSHAN MITRA

Well Said

We can draw correct lessons from the Greece crisis. Too much fiscal expansion and volatility of capital flows is not desirable.

Pranab Mukherjee,
Finance Minister, on the economic turbulence in euro zone, to CNBC-TV18

Nobody's quality or technology is inferior (in auto industry)... Only when you create a brand with a unique position, you can be successful.

Rajiv Bajaj,
Managing Director, Bajaj Auto, in Mint

I don't really need any money. And anyway, I don't think I'm ever going to have an idea this good again.

Mark Zuckerberg,
Co-founder, Facebook, on refusing to sell the site to Viacom for a value of $1.5 billion, to Agencies

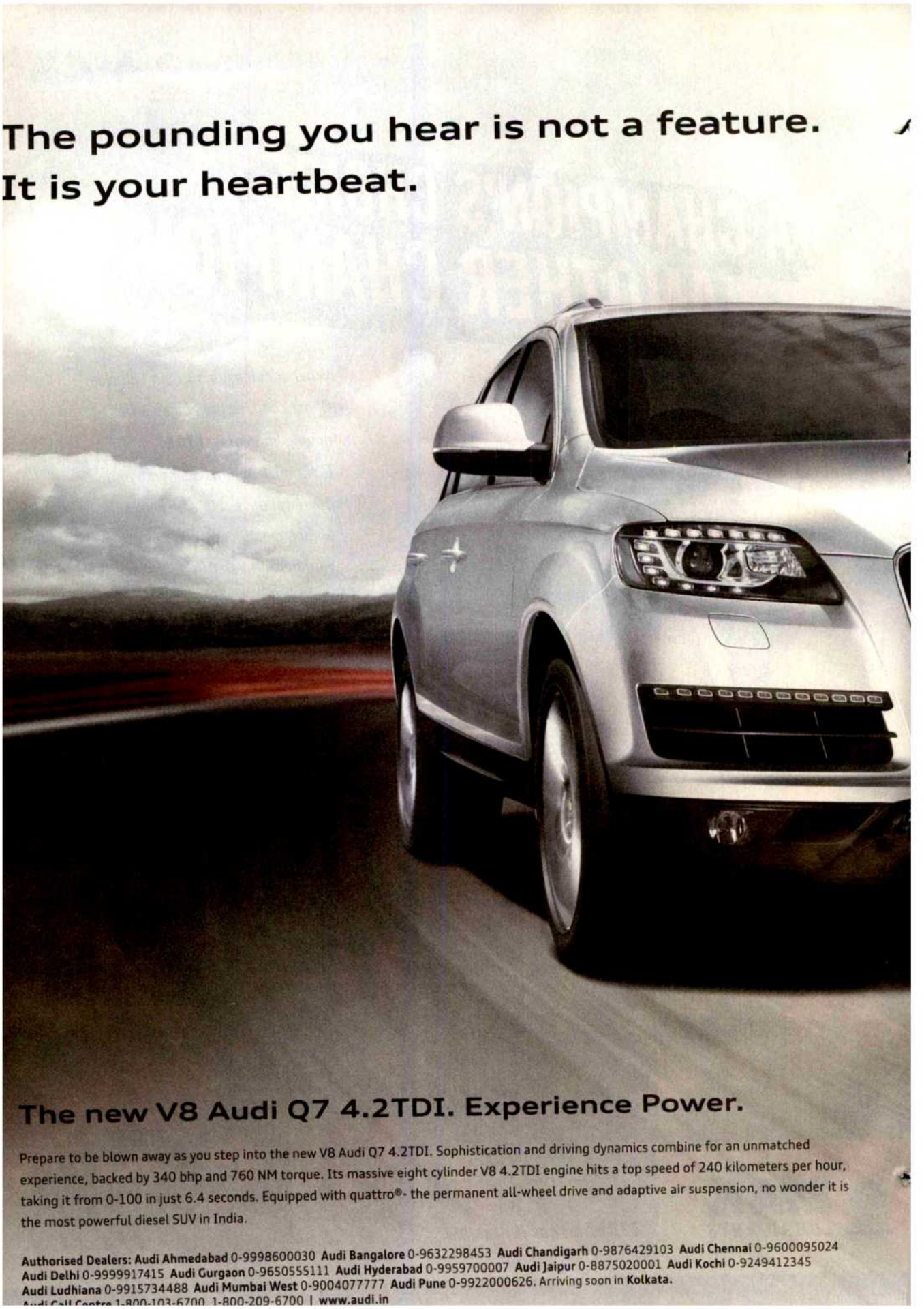
CLASSIC BUSINESS QUOTE

Your most unhappy customers are your greatest source of learning.

Bill Gates

SAATCHI & SAATCHI-190/2010-M

The pounding you hear is not a feature. It is your heartbeat.



The new V8 Audi Q7 4.2TDI. Experience Power.

Prepare to be blown away as you step into the new V8 Audi Q7 4.2TDI. Sophistication and driving dynamics combine for an unmatched experience, backed by 340 bhp and 760 NM torque. Its massive eight cylinder V8 4.2TDI engine hits a top speed of 240 kilometers per hour, taking it from 0-100 in just 6.4 seconds. Equipped with quattro®- the permanent all-wheel drive and adaptive air suspension, no wonder it is the most powerful diesel SUV in India.

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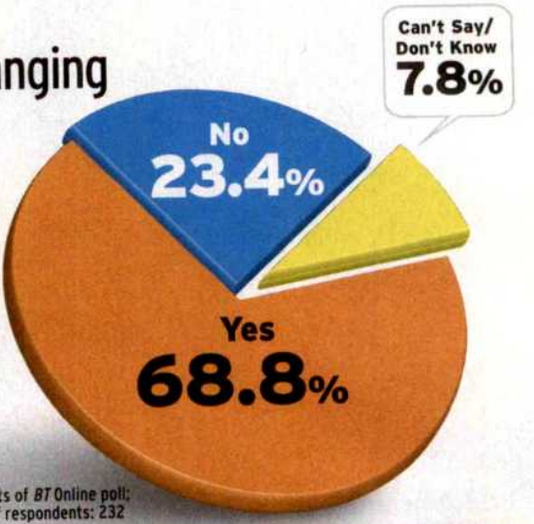
Do you see yourself changing jobs in the next six months?

No. There are three fundamental aspects of a job—span of control (position in the hierarchy, job content and delegation of authority), remuneration and quality of organisation. In my case, all three are quite satisfactory. I see my organisation growing at a stupendous rate and there is high growth potential for me.

Rajan Singhal,
Executive Vice President (Corporate HR), DS Constructions

Unlikely. We are in the final phase of a transformation from a development finance institution to a commercial bank in the next 18 months. These are exciting times for us, and I see a huge growth opportunity working with the existing employers. I think it's difficult for me to get a similar kind of exposure in any other BFSI firm.

Sushil Muhnot
Executive Director, IDBI Bank



Results of *BT* Online poll;
No. of respondents: 232

Next poll question: How good was your salary increment this year: Better than last year; worst than last year; or same as last year?

Log on to www.businesstoday.in to cast your vote

COMPILED BY MANU KAUSHIK

BT-ERNST & YOUNG

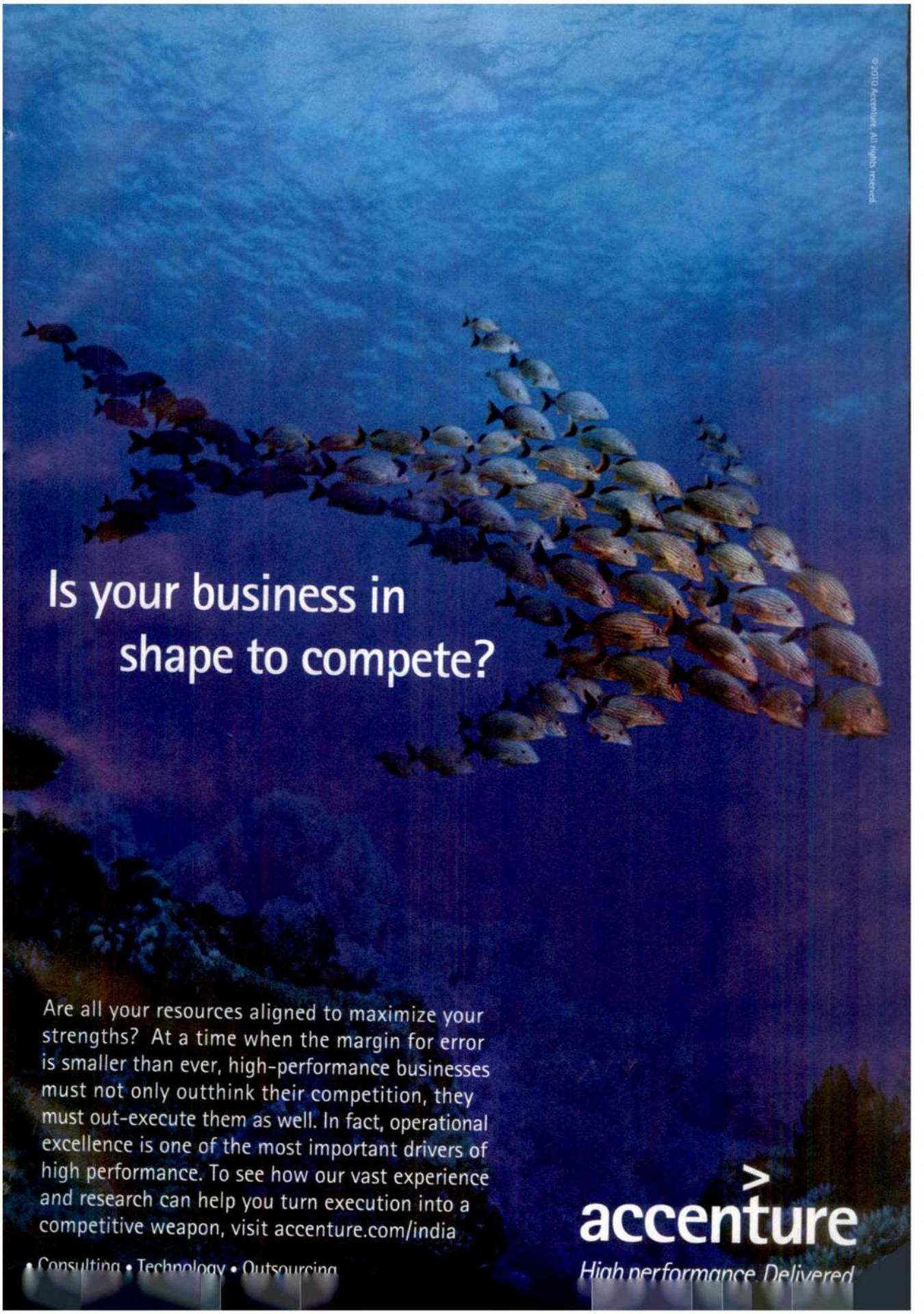
Deal Watch

BIGGEST DEALS IN THE PAST 30 DAYS*

PE firms Bain Capital and TPG Capital acquired an undisclosed stake in Lilliput Kidswear—manufacturer, retailer and exporter of children's apparel—for close to Rs 385 crore. Lilliput will utilise the capital to fund its expansion plans. Currently, Lilliput operates around 235 exclusive brand outlets in India and 30 overseas.

TARGET	Acquirer/Industry	TYPE	DEAL VALUE (Rs crore)	STAKE (%)
Avnija Properties	**KKR & Co LP**/Cement and building products	Private Equity	750.0	21
National Stock Exchange of India	**Temasek Holdings**/Capital markets	Private Equity	670.9	5
Tech Mahindra	**Unnamed Buyer**/Technology	Investment	652.8	7
Spheris India	**CBAY Inc. and MedQuist Inc**/Technology	Acquisition	517.0	100
Lilliput Kidswear	**Bain Capital and TPG Capital**/Retail and consumer products	Private Equity	385.0	NA
Road and highway projects to be developed by TRIL Roads	**Actis LLP**/Infrastructure	Private Equity	344.7	NA
Aziz Pipe	**Welspun-Gujarat Stahl**/Metals and mining	Acquisition	258.8	100
Flyjac Logistics	**Hitachi Transport System**/Logistics	Acquisition	250.0	100
Convexity Solutions	**CX Partners**/Financial services	Private Equity	210.0	NA
EIH Holdings	**EIH**/Real estate, hospitality and construction	Acquisition	202.2	46
Famy Care	**AIF Capital**/Healthcare	Private Equity	175.0	NA
Pathways World School	**Reliance Equity Advisors (India)**/Education	Private Equity	100.0	NA

Ernst & Young is a leading M&A advisor in India. The data is based on media reports and company announcements. Any decision on the basis of this information should be taken only after professional advice. Business Today *or E&Y do not undertake any responsibility with regard to any such decision. * As on May 10, 2010 Not a complete list.*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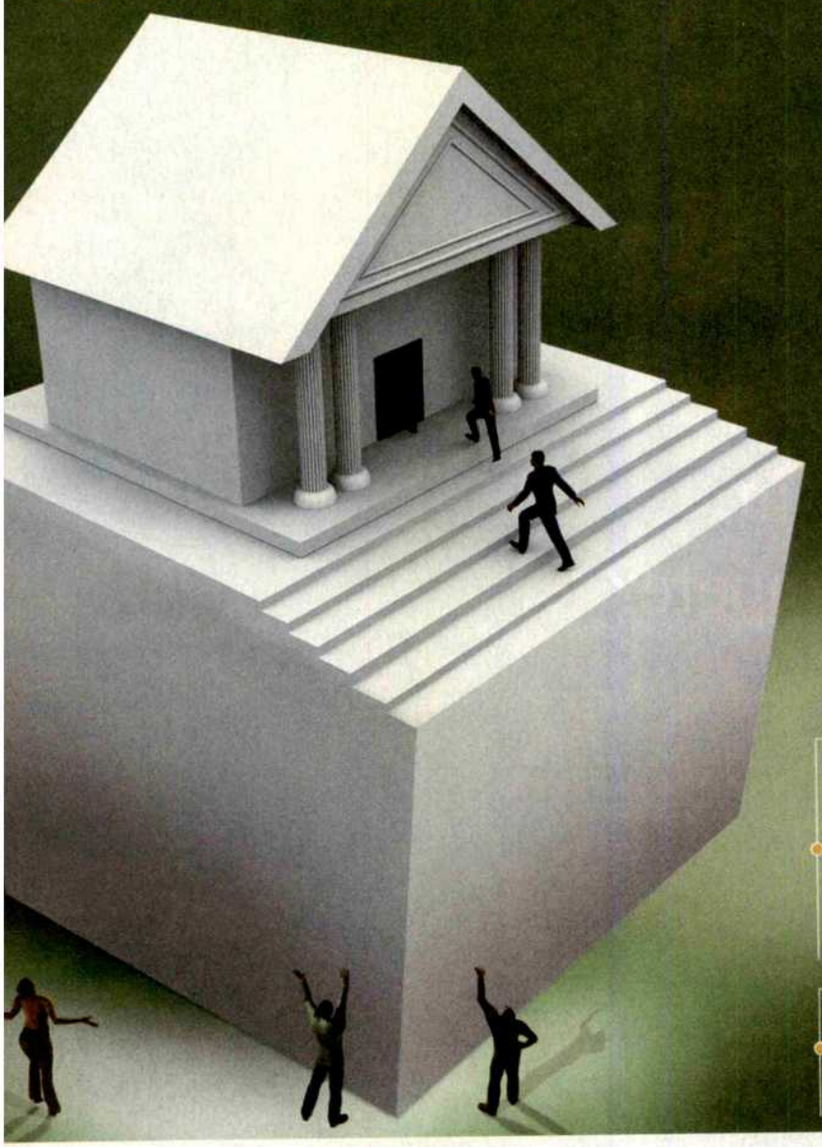
COUNTING THE WORLD'S UNBANKED

Financial services play an important role in ensuring inclusive development. Access to finance makes it possible for low-income households to significantly improve their socio-economic well-being. And, yet, a McKinsey study reveals that even today half of the world's population—mostly in Africa, Asia, Latin America and West Asia—is unbanked.



Percentage of total adult population who do not use formal or semi-formal financial services

53%
Total
2,455 million adults

High-income OECD Countries
60 million adults
(Members of Organisation for Economic Cooperation and Development)
8%

Latin America
250 million adults
65%

5 STEPS TO HERE
HUAWEI'S TROUBLES IN INDIA

1

1999
Chinese telecom equipment vendor Huawei sets up R&D outfit in Bangalore.

HUAWEI

2

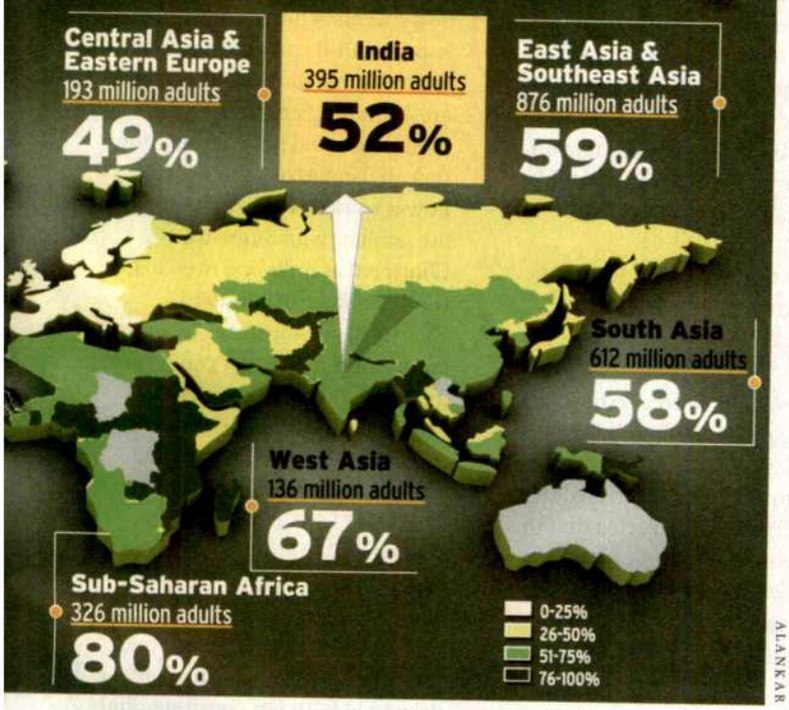
2001
Huawei begins sales operations in India.

The Unbanked Are Not Unservable

Large unserved populations represent opportunities for institutions that offer affordable financial products and services. Indeed, serving adults who live on less than **$5 a day** is not only possible—to a large degree it's already happening. The microfinance movement, for example, is playing a stellar role in expanding credit use. Here are estimates of adult population of Asia and Africa who do have access to formal and semi-formal financial services.

India, too, has a lot of ground to cover. But still manages to report wider usage of formal financial services than most South Asian countries. A result of:

- Strong presence of nationalised banks from the beginning
- Wide network of cooperative and rural regional banks
- Fast-growing microfinance institutions (MFIs)



ALANKAR

BT Retro

The Big Battle for the Small Car

BT, November 6, 1997

It's an inverse equation: Small wheels, big volumes. If you're in, consolidate. If you aren't, get in as fast as possible. Those are the principles on which the mega-marketing war of 1998 is likely to be fought. The challenger: The Rs 944-crore Daewoo "Ambitious" Motors. The defender: The Rs 7,762-crore Maruti "Everycar" Udyog. The trophy, of course, is supremacy in the Rs 4,032-crore small car segment of the Indian market. Estimated to be worth Rs 10,300 crore by April 2000, the 183,295-units-a-year segment is obviously the "promised land" for automakers.

Just what is Daewoo's marketing strategy for its small car? Realising that breaking the price barrier of the Maruti 800 may not be possible, it is trying to play the value game to justify the probable ticket price of Rs 3.50 lakh. Says S.G. Awasthi, 53, CEO, Daewoo Motors: "When we launch the product, you will discover that it offers the best VFM equation." The company is expected to play upon the new technology—the brand-new platform and clutch technology—the jellybean and wind-tunnel design, and customised features. On the surface, Maruti isn't worrying. Says Jagdish Khattar, 54, Marketing Director, Maruti: "Will customers be ready to pay the price for additional features?" ...Indeed, experts feel that Daewoo could use technology as a differentiator—and support a higher price with attractive financing schemes. The race for the small car buyer is going to be as exciting as a Formula One finale.

(NOW: Tata Motors' Nano, today, is the quintessential small car. Bajaj Auto plans to hit the market with a cheap car, one that will clock a mileage of 30 km per litre. And the small car race is as hot 13 years later.)

3

2005

BSNL cancels Huawei's Rs 1,400-crore contract for supplying equipment for 1.05 million CDMA lines in partnership with Himachal Futuristic, citing non-delivery of equipment.

4

February 2010

Department of Telecom asks telcos to seek prior approval for equipment being imported on national security grounds. Chinese firms, including Huawei, affected.

5

May 2010

Huawei offers to reveal the source code for its network systems to persuade India its equipment does not pose a security threat.

T.V. MAHALINGAM

CHIEF EXECUTIVE,
STANDARD CHARTERED PLC

"Markets Have Exaggerated Europe's Problems"

SHEKHAR GHOSH/WWW.INDIATODAYIMAGES.COM

PETER SANDS, *Standard Chartered PLC's Group Chief Executive, was recently in India to flag off road shows for the bank's maiden listing of Indian Depository Receipts (IDRS). In a candid interaction with* **RAJIV BHUVA**, *Sands shared his thoughts on the global developments and the bank's experience through the turbulence. Excerpts:*

First it was the US, and now Europe. Where is the global economy headed?

There are still a lot of problems with the world economy. The US still has quite a few issues ahead of it. We are through the worst, but not out of the woods yet. The ongoing stress in western countries would mean that interest rates would remain low longer than people thought. And that will create pressures because, in other parts of the world, interest rates would be going up, weighing on the currencies. There are lots of uncertainties.

When do you see the situation improving in Europe given the large rescue package?

Countries like Greece do have significant public finance problems. The markets, though, in my opinion, have rather exaggerated the concerns. It was expected that the euro zone would come together to find a way of dealing with the problem. It took quite a long time for European leaders to act. And it further aggravated the situation. From here, fiscal consolidation (cutting public expenditures) has to be done pretty quickly and in a credible way, otherwise the market concerns will return.

Given your focus on Asia, Africa and West Asia, how instrumental has your business model been in leaving you less affected than peers?

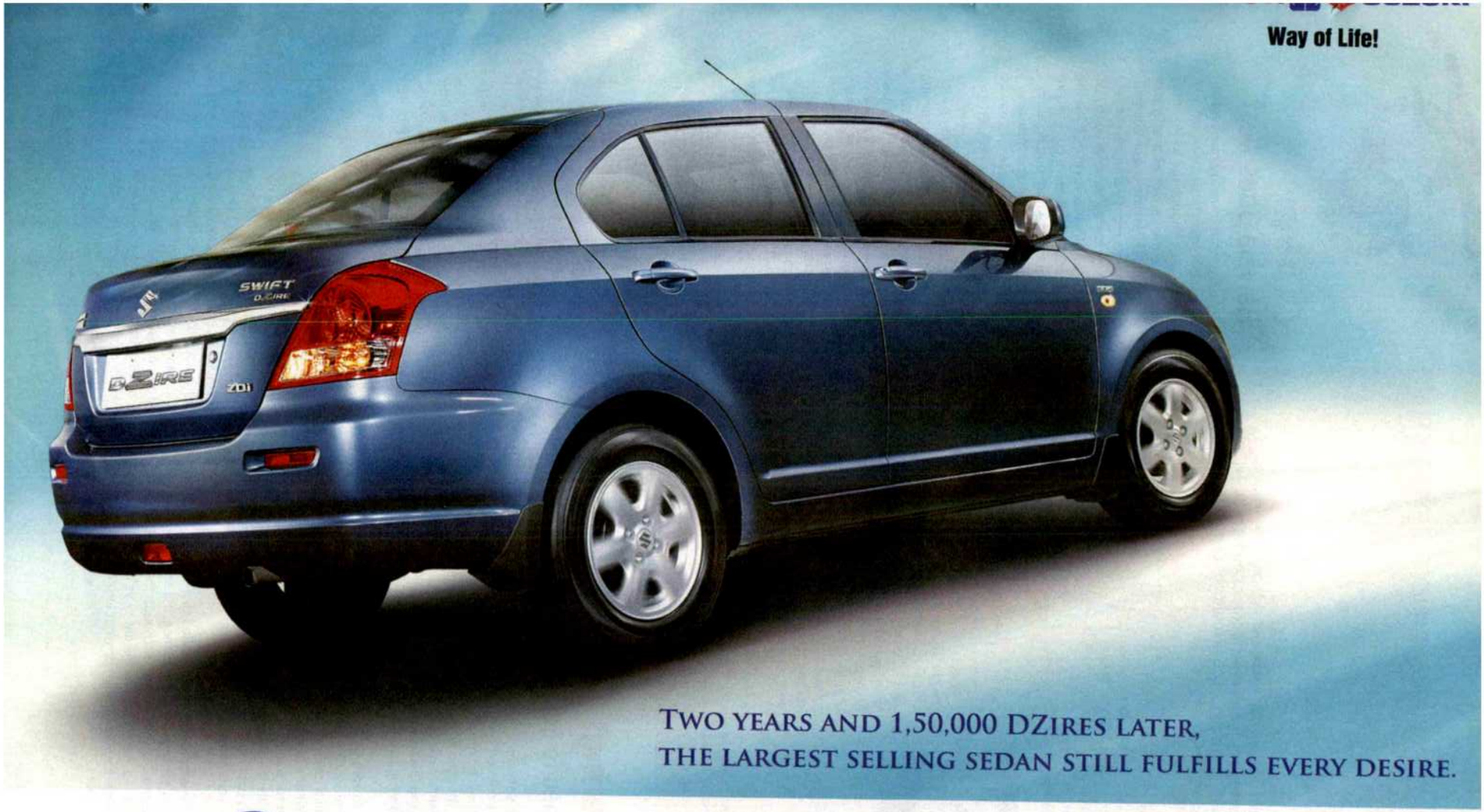
No international bank has been unaffected by the crisis. In terms of running our business, we have clearly not been unscathed. But on the other hand, we have continued to deliver record profits and incomes. That's because we are very focussed on the Asia, Africa and West Asia markets. We have focussed on the basics of banking and deliberately taken a very conservative approach towards the way we manage our balance sheet. And on the asset side also, we have deliberately diversified our portfolio.

Do you expect the same level of success with IDR as you had with your rights issue?

We are confident that the IDR will be a success. Though the rights issue in 2008 was done with existing investors, the circumstances are entirely different. Here the IDR itself is new and poses communication challenges of what it is and how it works. While many people are familiar with Standard Chartered in India, we need to tell them the story of Standard Chartered outside India. India contributes just 20 per cent of our global profits. It's a positive story. Standard Chartered, as a whole, has done very well, and in India, has done extremely well.

Recently, the banking regulator revived hopes of foreign banks' liberal entry into India. What does it mean for you?

We do see a lot of opportunities for growth in both our consumer and wholesale banking businesses in India. And we see these opportunities even if nothing changes on the regulatory side. To the extent that regulatory changes allow us to do more is great. However, we have demonstrated that even within the current framework we have built a highly successful business.



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How Things Work

Face Recognition

Have you wondered how software can recognise a face? Or how a point-and-click digital camera automatically focusses on faces? Surprisingly, it really does not involve huge amounts of calculation, but a very simple physiological fact.

MATCHING FEATURES

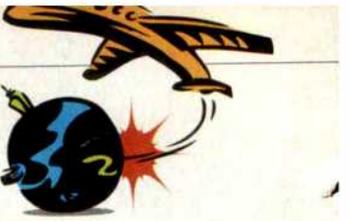
Most faces have a unique geometrical shape formed by the relative position of their eyes, nose, cheekbones and jaw (the chin in particular). The software, once it is given a reference image, ideally a clear and straight-on picture, analyses all the photographs in its database for similarities.

ON CAMERAS

Cameras with 'face detection' software do not have to actually identify a particular face, but only detect if there is a face in the frame at all. Despite all our physical differences, human beings have a uniquely shaped head. In some advanced cameras, a chip inside the camera scans the image in its viewfinder for features like eyes, nose, ears and chin. On other cameras, the chip begins its scan by 'looking' for eyes as a starting point. That explains why in some cameras, 'face detection' doesn't work very well with dogs or cats.

IS IT PERFECT?

No. Few photographs are taken straight-on or in ideal light conditions. Therefore, software like Google Picasa or Apple iPhoto asks you to check every picture it thinks has the face in question. Not very efficient, but it prevents mistakes and is a lot faster than sifting through the pictures manually.



Quirky

Hawala Goes West

It's time for another quintessential Indian invention to get western recognition. Though not as universal in use like the zero or as hastily protected as Darjeeling tea or Basmati rice, hawala money transfers is something the West woke up to last fortnight. Officials, investigating the thwarted Times Square bombing in New York, are wondering if Faisal Shahzad got his funding through informal networks known as hawala in South Asia instead of Western Union money transfers.

Shahzad purchased his bomb kit and flight tickets using cash, raising suspicions. Indian politicians have for long been suspected of salting away dirty money using these "I know you and your cousin" networks. So have terrorists. Despite the ingenuity of the system, it's unlikely that the Americans will patent the hawala system. It's not quite what Western Union and Wells Fargo would appove.

ILLUSTRATIONS BY ALANKAR

COMPILED BY T.V. MAHALINGAM & KUSHAN MITRA

Just Wondering!

Whatever happened to Ram Mynampati?

One-and-a-half years after Satyam founder Ramalinga Raju's I-cooked-the-books e-mail landed up in the inboxes of Satyam's board members, the man is yet to be sentenced. And Satyam's results for the period between 2000 and 2008, when Raju undertook some creative accounting, is yet to be restated.

Even as Ramalinga Raju, former CFO Srinivas Vadlamani and former MD Rama Raju languish in hospitals and jails, one question begs an answer: What's happened to Ram Mynampati? The former Executive Director and interim CEO of Satyam (after Raju's resignation) flew to the US in early 2009. Later, in June 2009, Mynampati put in his papers. Ever since, courts have sent summons to Mynampati several times to question him about his role at Satyam.

Finally, late last month, Mynampati's counsel replied to a Hyderabad court's summons sent to his US residence. It's still not clear where the former interim CEO of Satyam is (though this could not be independently confirmed, one company insider says he was seen earlier this year at a Philadelphia temple) or what legal action he is likely to take if found guilty.

Snoot Corner

Cracking Cognac

Cognac is to brandy what Bentley is to upper crust cars. But the French want their cut of this expensive brew. They have mandated that not only must Cognac be made in a certain 300-year-old way, but it should be made only from grapes grown in the Cognac region of north-eastern France. Ironically, Cognac was actually a way of using up the wasted grapes from wine-making, and was considered, initially, a drink for the lower-classes. After being distilled in copper stills, the distillate is called eau-de-vie (literally 'waters of life') and is then aged in French oak barrels for at least two years. Most Cognacs are blends of several eaux-de-vie. There are three basic types of Cognac VS (Very Special) in which the youngest Cognac is two years old. The VSOP (Very Superior Old Pale) called because in 1817, the future British King George IV asked Hennessy, still the most famous Cognac House, to produce a superior, old and pale Cognac. XO (Extra Old) in which the youngest eau-de-vie is at least six years old. Most large Cognac Houses also produce finer blends, some with eaux-de-vie aged over 100 years, which costs over $3,500 per bottle. Drink of the lower-classes, indeed!

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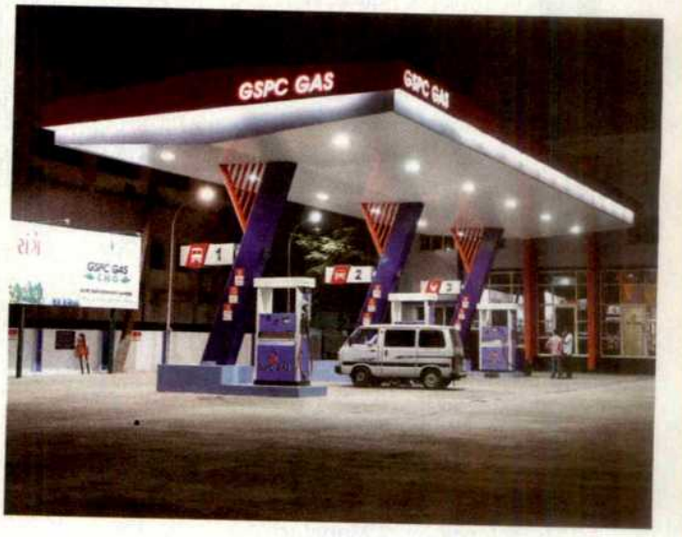

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ctus with the Securities & Exchange Board of India (SEBI). The Draft Red Herring Prospectus is available on the website of SEBI at www.sebi.gov.in and involves a high degree of risk and for details relating to the same, see section titled 'Risk Factors' beginning on page xiv of the Draft Red Herring Prospectus. Also see . These materials are not an offer of securities for sale in the United States. Securities may not be offered or sold in the United States absent registration or an exemption from registration under the U.S. Securities Act, 1933, as amended. The offering of securities described herein has not been and will not be registered under the U.S. Securities Act, 1933, as amended, and may not be offered or sold in the United States absent registration or an exemption from registration under the U.S. Securities Act, 1933, as amended.

HOW HIGH WILL THE

In 2009-10, the Indian currency recorded the largest ever one-year appreciation in its histo to appreciate further in this fiscal year. Why? By how much? And what about volatility?

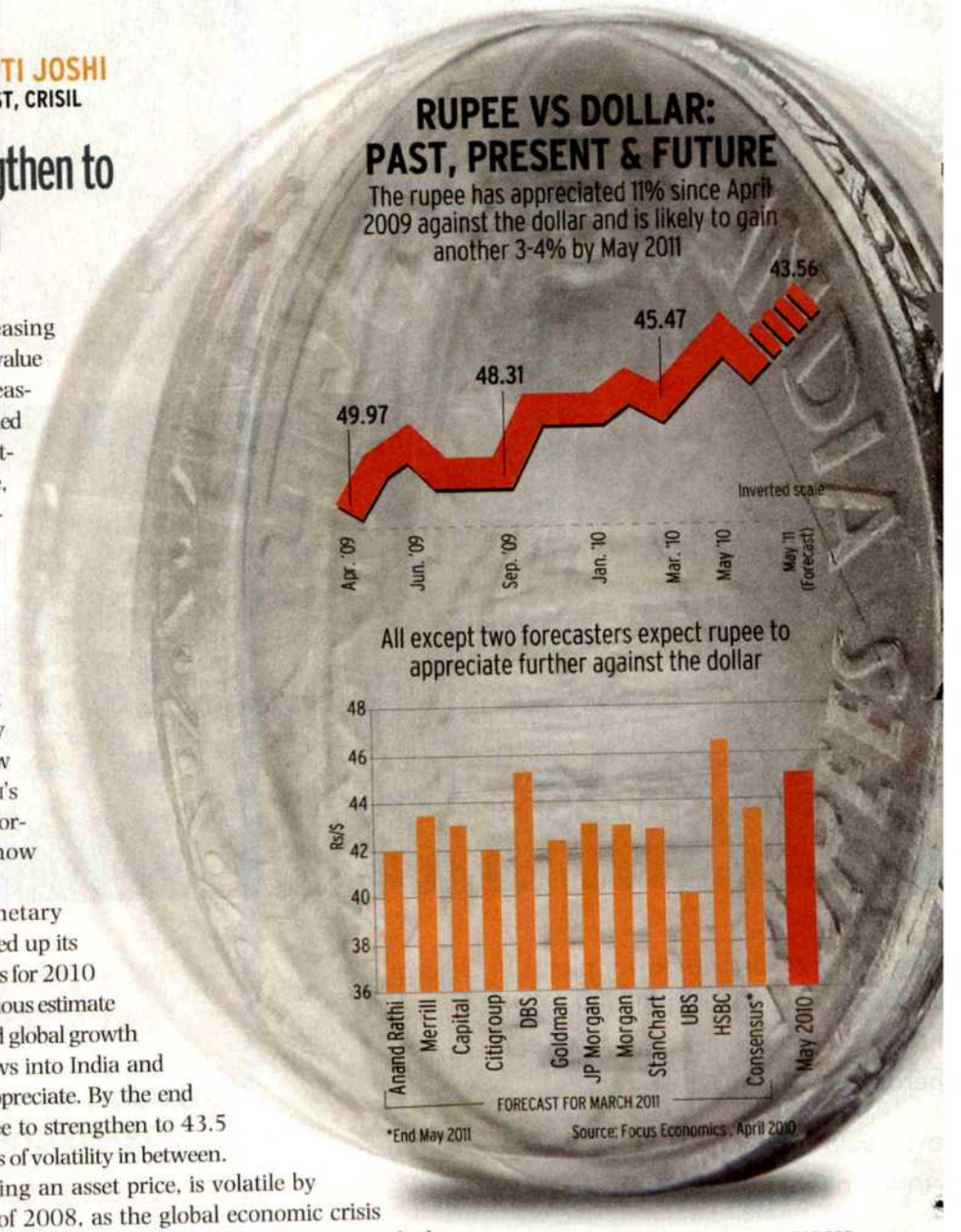
DHARMAKIRTI JOSHI
CHIEF ECONOMIST, CRISIL

Rupee could strengthen to 43.5 by March 2011

With the gradually easing capital controls, the value of the rupee is increasingly being determined by market forces—appreciating when capital inflows rise, and depreciating when foreign capital retracts. The opening up of the Indian economy, its improved fundamentals and rising foreign inflows have helped the currency gain strength in the last couple of years. The currency movements in the last few years also indicate that the RBI's ability to intervene in the foreign exchange market is now limited to curbing volatility.

The International Monetary Fund (IMF) has recently scaled up its global GDP growth projections for 2010 to 4.25 per cent from its previous estimate of 3.9 per cent. The improved global growth prospects imply more inflows into India and pressure on the rupee to appreciate. By the end 2010-11, I expect the rupee to strengthen to 43.5 against the dollar with bouts of volatility in between.

The exchange rate, being an asset price, is volatile by nature. Towards the end of 2008, as the global economic crisis intensified, rupee volatility increased and the trend of appreciation—which had started since 2003—also temporarily reversed. In 2008-09, the rupee



KULDEEP

RUPEE RISE?

Despite the recent bouts of depreciation, it is most likely BT invited two experts to answer these questions.

fell sharply against the US dollar (27 per cent) and the yen (32 per cent), but somewhat moderately against the euro (eight per cent). This was largely due to capital outflows resulting from the financial crisis. The British pound was the only major currency against which the rupee appreciated. This was due to the weakness of the pound, which depreciated at its fastest rate ever against the USD.

In 2009-10, the rupee appreciated against all major currencies—10.3 per cent against the USD, 9.5 per cent against the euro, 7.2 per cent against the pound sterling, and five per cent against the yen. This rise in value was driven by resilience of the Indian economy and the return of risk appetite among foreign investors.

In future, strong growth in India and the accompanying capital inflows will continue to put upward pressure on the rupee. The value of the rupee will, however, remain susceptible to changes in global risk aversion and its impact on capital inflows into India. This was recently demonstrated by the Greek crisis, which brought down the risk appetite of foreign investors and weakened the rupee. The rupee has been volatile since then, and given the global economic uncertainties, this volatility is likely to continue.

A strong rupee has different impact on different stakeholders. It benefits importers and companies that borrow abroad. But it spells bad news for exports and the information technolgy (IT) and IT-enabled services sector. Among exporters, those with high import intensity are not affected significantly, as the fall in cost of imports offsets the negative impact of the appreciating currency. Trends in exports, global growth and currency values suggest that global demand has a greater impact on exports than currency value. Further, one should not look at the rupee-dollar exchange rate alone. Between 2003-04 and 2007-08, Indian exports grew 26 per cent a year despite the appreciation of 12.5 per cent against the dollar. The rupee, however, depreciated against the pound and euro by four per cent and six per cent, respectively, which partially offset the negative impact of appreciation against the dollar.

This year, I expect the RBI to adopt a tolerant attitude towards gradual rupee appreciation, as it would complement its inflation control measures by making imports cheaper.

HEMANT MISHR
MD & HEAD OF GLOBAL MARKETS, SOUTH ASIA, STANDARD CHARTERED BANK

Dip now, appreciation by year-end

The European crisis and contagion concerns over the PIIGS economies (Portugal, Ireland, Italy, Greece and Spain) continues to hog headlines and market activity. Pre-Lehman collapse, these economies were growth spots and investors were more than happy refinancing these countries' high debt levels. The world, however, is a very different place today and investors are

OTHER THAN THE DOLLAR

Rupee's movement against yuan is identical to the one against dollar; but against yen and pound the appreciation started only in the past six months.

Source: Pacific exchange rate service

GRAPHICS BY UTTAM SHARMA

Over the short term, the rupee could slip to levels beyond 47, which are good levels for exporters to lock in for the medium term.

moving out of emerging markets assets as appetite pole vaulted from risk seeking to risk aversion. As against a mad chase of yield, which was the theme until the crisis hit the market, for now Cash is King.

What does this mean for India and, more specifically, for the rupee? Doomsayers were quick to deliver the verdict—exaggerated global risks would sound the death knell for an appreciating rupee. Has the rupee taken a U-turn?

The rupee is clearly a higher-beta currency, i.e., it is highly correlated to the global economic cycle. Hence, it is susceptible to periodic corrections, especially in the current environment. Since its March 2009 peak, the rupee has suffered several instances of temporary losses on global uncertainties. This episode represents another such pullback in the broad rupee rally and may continue as the markets assess the efficacy of the fiscal stabilisation fund of nearly US $1-trillion created for the euro zone.

While the risks emanating from the euro-area have masked Asia's resilience for now, once sentiment stabilises investors shall focus back on India's positive fundamentals. Price action over the past year clearly highlights the growing importance of local fundamentals in driving the rupee's trajectory. Gains in 2009 stalled after the positive election outcome, as a modest balance of payments surplus lowered the pressure on the currency. Momentum picked up only in the beginning of this year, after portfolio inflows surged back on an improved fiscal outlook post-Budget 2010.

Given the positive economic outlook and a policy framework geared towards balancing growth and inflation risks, rupee gains are expected to sustain. Admittedly, the wide trade deficit is a cause of concern and portfolio inflows remain hostage to swings in global risk appetite. But pickup in debt-related inflows should provide relief, pushing the balance of payments towards a $40 billion surplus in FY11. Also, one cannot rule out a signficant surge in portfolio inflows to India if the policy rhetoric remains favourable, as international investors may avoid the policy risk ridden West and scout for better alternatives. In addition, the yuan revaluation theme is also likely to continue exerting appreciation pressure on the rupee. Hence, exporters should use the down moves in the rupee as opportunities to increase their hedge ratios, not only against the US dollar but also other G5 currencies.

Continued appreciation may lead to some central bank intervention, especially with the real effective exchange rate above 113. But this is likely to be targeted at containing volatility, rather than stemming the rupee's tide. Burgeoning inflation risks and limited ability to sterilise suggest that aggressive intervention is unlikely. A move towards 43 by the end of this fiscal year is, thus, a plausible outcome.

However, this is contingent on the western economies' ability to avoid systemic risks. If the markets doubt the resolve of the western economies to manage these risks then the bout of risk aversion could continue for longer. Over the short term the rupee could slip to levels beyond 47 which are good levels for exporters to lock-in for medium-term receivables given the high outright forward rates. ⊙

DOLLAR & OTHER CURRENCIES

The euro rose and then fell against US dollar, as did the pound. The yuan was virtually unchanged, creating anxiety and anger in the US.

Source: Pacific exchange rate service

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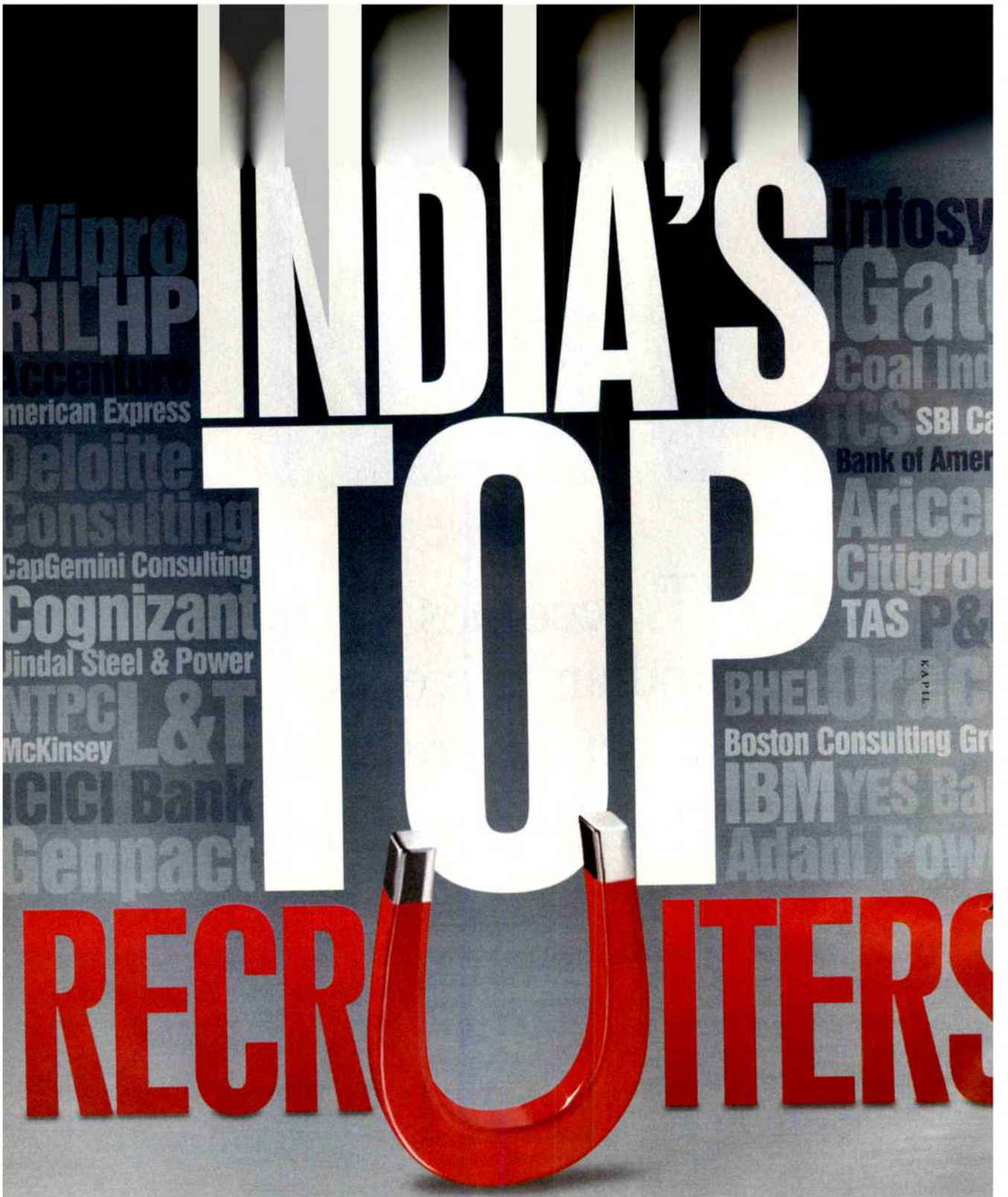

Thirteen B-schools, 10 engineering colleges, 2,566 job offers. Who are the top 30 recruiters at the leading professional institutes in India?

SAUMYA BHATTACHARYA

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66 The Curse of 2009

India is a monstrous factory when it comes to engineering and B-school education. Tech and business graduates every year in the country count up to between 6,00,000 and 7,00,000. (That is equivalent to the population of Amsterdam or Washington DC!) Feeding off that pool of graduates every year is a clamouring group of private companies, banks, government-run firms or, even, educational institutions, hospitals and non-governmental institutions.

Who exactly are these recruiters? Who are the top hirers at institutions, some of which—the famed Indian Institutes of Technology (IITs) and Indian Institutes of Management (IIMs), for instance—are widely acknowledged to be among the best in the world? To understand, BT decided to scan the country's premium B-schools and engineering colleges. For initial data gathering, we roped in management portal MBAUniverse.com and market research agency Synovate for B-schools and engineering colleges, respectively.

We reached out to just under 25 institutes in all. For data, we and our knowledge partners sought the names of hirers, the salaries on offer, the most sought-after companies and industries, and sectors of choice, as also preferred locations and admired business icons. The results of our study, we are sure, would have been different if we expanded the sample size of engineering colleges and B-schools. But, consciously, our approach was one of value, not volume—spot hirers at India's most valuable institutes.

Our list of 13 B-schools had IIM-Ahmedabad, IIM-Bangalore, IIM-Calcutta, IIM-Kozhikode, IIM-Lucknow, Indian Institute of Foreign Trade (Delhi), Nirma Institute of Management (Ahmedabad), Delhi University's Faculty of Management Studies, Management Development Institute (Gurgaon), TA Pai Management Institute (Manipal); Shailesh J Mehta School of Management, IIT Bombay, Sydenham Institute of Management Studies Research and Entrepreneurship Education (Mumbai), and Department of Management Studies, IIT-Delhi.

The 10 engineering institutes we contacted were IIT-Madras, IIT-Guwahati, IIT-Roorkee, Indian School of Mines, National Institute of Technology (NIT) Warangal, PEC University of Technology (Chandigarh), Birla Institute of Technology (Mesra), Indian Institute of Technology-Benares Hindu University, Indian Institute of Information Technology Hyderabad, and PSG College of Technology, Coimbatore.

And the results? Let's contrast with early 2009, first. One year short of graduating for a master's programme in business administration or bachelor's in engineering, the Class of 2010 saw the hiring universe suddenly turn dark. Not only did the number of recruiters coming to campus dwindle, salary offers made to their seniors halved. What to do? Hunker down to beef up your skills so that you stand out when recruiters came calling the next spring.

Come 2010, they need not have worried, actually. The graduating class of 2010 in India's business schools and engineering colleges got a thumping welcome from India Inc. Banks and financial services firms (YES Bank, ICICI Bank, American Express, SBI Caps, Citigroup), management consultants (McKinsey, Boston Consulting Group, Accenture, Deloitte), information technology and back office companies (Congnizant, Infosys, IBM, Wipro, Genpact, Oracle), as also mega corporations (Tatas, P&G) and state-run companies (NTPC, Bharat Heavy Electricals) are back with a bang, recruiting from campuses almost like never before (page 44 and page 45). Salaries are up (sure, they lag the 2006-07 boom time levels) but the focus of the grads is on learning on the job, career prospects and, no surprise after a recession year, job stability is sought after, perhaps, more than compensation (page 66). And, yes, engineering hirings are on the upswing again, reflecting the fortunes of Indian information technology firms (page 60).

BIG GUNS ARE BACK

IT biggies, private banks and consulting firms sweep top notch talent at India's premier B-schools in 2010.

SAUMYA BHATTACHARYA

Cognizant has one MBA for every 20-25

So much for cutting back during the downturn! After turning a cold shoulder to campuses during February-June 2009, recruiters were back in full force. Technology behemoth Infosys Technologies returned after a gap of one year, so did a host of investment banks. The placement season started with cautious optimism but ended with a strong rebound from last year's lows.

BT decided to ask the top B-schools about their six biggest recruiters and the finding: the big thaw at the Indian Institutes of Management (IIMs) has been just as phenomenal as 2009's recruitment freeze was chilling. Saral Mukherjee, chairperson for placement at IIM-Ahmedabad, recalls, "Last year we were flummoxed—almost every single recruiter we contacted was reporting a hiring freeze."

And the story is beyond just numbers—quality jobs are back, and recruiters are looking for MBAs with work experience. Recruiters insist the hiring blitz is not just a bold proclamation that it is back to business as usual—it is part of their overall growth plan.

A case in point is Cognizant, the information technology and business process outsourcing, or BPO, major. As the company with the highest number of MBA hires (85 from the 13 B-schools BT surveyed) in our list this year, Cognizant says it has only con-

R. Chandrasekaran, President and MD, Global Delivery (at the wheel) with the latest hires

H.K. RAJASHEKHAR

technology professionals in the company.

THE TOP 15

RECRUITERS	NO. OF STUDENTS HIRED FROM TOP 13 B-SCHOOLS
1. Cognizant	85
2. ICICI Bank	84
3. Deloitte	65
4. Infosys	61
5. YES Bank	49
6. Accenture	27
7. McKinsey & Co.	22
7. Boston Consulting Group	22
9. Wipro	15
9. SBI Caps	15
11. Genpact	14
11. Procter & Gamble	14
11. American Express	14
11. Citigroup	14
15. TAS	12

The rankings and number of students hired are based on data received from 13 management institutes that were asked to list their top six recruiters in 2010. Total recruitment by these companies could be higher than the number mentioned above. And there will be companies that may have hired more—but not from these top institutes. (List of institutes on pg. 37)

tinued the momentum of the past three years when it picked up over 750 MBAs. "Cognizant is perhaps the most aggressive hirer of MBA talent in the country," says R. Chandrasekaran, President and Managing Director, Global Delivery, Cognizant.

The New Jersey, US-headed company with big delivery operations in Chennai had begun recruiting small numbers of MBAs as early as 2000. Some of them, while studying the entire business of clinical trials, figured out that Cognizant could play a key role in clinical data management, reducing the time it took take a drug to the market. "Some time ago, we won a five-year clinical data management deal with AstraZeneca, perhaps the largest deal announced in this area globally," says Chief People Officer Shankar Srinivasan.

P&G was the top recruiter at IIM-Lucknow with 10 hires.

The charge of the financial sector, whose abstinence contributed largely to 2009's placement drought, was led this year by two private sector banks, ICICI Bank and YES Bank, although investment banks were back, too. ICICI Bank says it is business as usual with last year just a blip. "For the past 20 years we have had a long-term strategy with regard to campus recruitments. The only difference probably would be that, where

ICICI BANK

RACHIT GOSWAMI

Some 500 graduates were roped in from Tier-II B-schools by ICICI Bank.

we hired 50-60 people this year from the IIMs, last year we would have hired about 30 to 40," says K. Ramkumar, Executive Director, ICICI Bank, who also heads the HR or human resources function. ICICI Bank says it has hired about 120 grads from IIMs and from other premier B- schools and about 500 from Tier-II B-schools.

YES Bank, the top recruiter at IIM-A, gave its recruitment an "opportunity in adversity" twist during the meltdown. "As we enter the next growth phase, we have to significantly ramp up our recruitment numbers to reach the target executive strength of 12,000 by 2015 from a little over 3,000 at present," says Rana Kapoor, Founder, Managing Director and CEO, YES Bank, which has hired 154 MBAs from premier B- schools under its campus recruitment initiative. Jobs in investment banking, treasury, corporate finance, corporate banking, commercial banking, retail banking and insurance were again up for grabs.

If the hiring appetite of consulting firms is the barometer of the market sentiment, it was celebration time: McKinsey, Accenture, Deloitte, and Boston Consulting Group (BCG) were back with a vengeance. Deloitte hired 19 from IIM Kozhikode, and McKinsey and BCG 22 apiece from the IIMs at Ahmedabad, Bangalore and Kolkota. "It has been a great year," says Sachin Sondhi, Senior Director, Consulting, Deloitte. For its consulting business, Deloitte hired 178 MBAs from 15 top schools (different from the ones BT surveyed), 617 engineers from 37 technology institutes and 131 undergraduates. BCG recruited from five B-schools and strengthened its lateral hiring channels, too. According to BCG Recruiting Director Ravi Srivastava, the firm was among those that continued to hire during the downturn last year.

IT services companies that had largely given B-school campuses a miss last year were back in the reckoning. Infosys Technologies, which ranks #4 with 61 hires (for the 15 B-schools in this study), extended over 400 offers across B-schools this year besides some 19,000 offers across engineering schools for the fiscal year gone by. "Given the business requirements and the global scenario, we did not visit B-schools last year. However, we have been aggressive on the cam-

Management recruitees at Deloitte Mumbai

DELOITTE

RACHIT GOSWAMI

Of all the 926 hirings Deloitte made for its consulting business, 48% are women.

puses this year," says Nandita Gurjar, Senior Vice President and Group Head, HR, Infosys Technologies.

Its rival Bangalore-based Wipro, at #9 in our list, hired 175 graduates from the top B-schools in India. "We have recruited 2,500 people from engineering colleges in 2010 and 1,300 students under our WASE programme," says Pradeep Bahirwani, Vice President, Talent Acquisition, Wipro. WASE is short for Wipro Academy of Software Excellence, a flagship programme for graduates in a tie up with Birla Institute of Technology and Science or BITS, Pilani.

BPO services pioneer Genpact, at #11, continued with its hiring overdrive. Says Piyush Mehta, Human Resources Leader for Genpact, "As the business environment gets tougher and talent becomes readily available, we think it's the right time to get the right people in and this is precisely what we are doing across the world."

For traditional big recruiters like the Tatas, Hindustan Unilever, Procter & Gamble, ITC, Britannia, and Johnson & Johnson, the placement season was one of continuing traction from earlier. "Our approach to recruitment is long term. Whether it is a good year or bad, TAS has always been there at campus," says Satish Pradhan, Group HR Head, Tata Sons. TAS was formerly the Tata Administrative Service.

Citigroup hired 45 management associates from across the top rung B-schools in 2010 not very different from 47 hires last year. "Management associate hiring is a key talent pool for us," says Chandrani Chakraborty, Citi's South Asia Head of Organisation & Talent Development. "The high offer acceptances reflect the strong partnership that Citi has with business schools and students alike."

Chakraborty believes that student expectations have been more realistic and in sync with market realities. So, was 2010 different in some ways? Yes, in a sense. "There is a distinct hope amongst students of being part of a sustained growth story," she says. Also, over the recent years aspirants are increasingly focussed on the area they want to specialise in quite early in their academic journey. Students are sure of what they want to do. "Our summer interns' conversion reflects this quite well," says Chakraborty. All interns who got Citi's pre-placement offer have accepted it—making for around 60 per cent of Citi's hiring.

The return of big fish meant that the first-timers that lorded over campus hirings last year failed to recruit big numbers from the Class of 2010. This time also, first-timers like Bangalore health care group Narayana

Rana Kapoor, Founder, MD and CEO with new recruits

RACHIT GOSWAMI/WWW.INDIATODAYIMAGES.COM

YES Bank was the biggest recruiter at IIM-Ahmedabad with 13 hires.

SBI Caps hired 69 B-school grads in all. Almost 90% of them have a B.E./ B. Tech background.

CITIGROUP

NISHIKANT GAMRE

Pre-placement offers constituted around 60% of Citi's hiring.

Hrudyalaya turned up. "But with jobs back with a decisive bang, the first-timers could not be as persnickety as they were last year. It was our call," says an IIM-Ahmedabad student, who graduated this year, asking that he remain anonymous.

Nonetheless, 2010 was a season of many firsts. While the placement party continued with salary packages that went up by 25 per cent on average for the Class of 2010, students decided to look beyond pay packets. "We noticed prudence and maturity in their thinking and they were making informed and sensible decisions. Students also did not go by just the money but the quality of the job and culture of the company was also considered by most," says ICICI Bank's Ramkumar, who also noticed that, after the global meltdown, a foreign posting was no longer an obsession.

Palaniappan N., 26, now with Cognizant after an MBA from SP Jain Institute of Management and Research this year, says, "For someone like me who had entered the B-school in 2008 at the peak of the placement momentum, seeing perhaps the worst of times in 2009 and then passing out in 2010 by when the placement situation had improved, was a really different experience, enlightening as well as humbling."

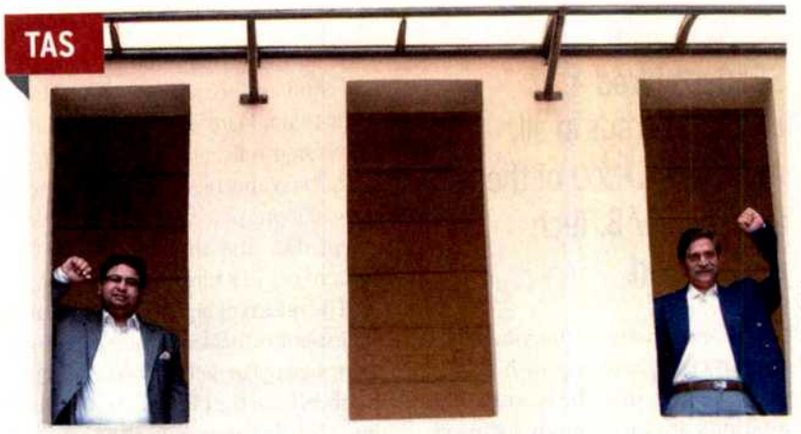
Wipro found that with the global recession of the last year, students were now more conscious of the stability of the organisation compared to their attitude in earlier years, when they would look first at the role, next the compensation, and finally the location of posting.

What next? A war for talent, perhaps. "The resurgence of optimism in the economy and increased hiring across our industry are strong signs that the war for talent is gaining momentum again," says Accenture India's HR Lead Prithvi Shergill. IIM Indore's class of 2010 grad Prerna Raman, who has joined YES Bank, believes the class of 2011 will have it even better.

Good times, after a tough year, it seems have started to roll for B-schools grads in India once again. ⊙

ADDITIONAL REPORTING BY ANUSHA SUBRAMANIAN AND RAJIV BHUVA

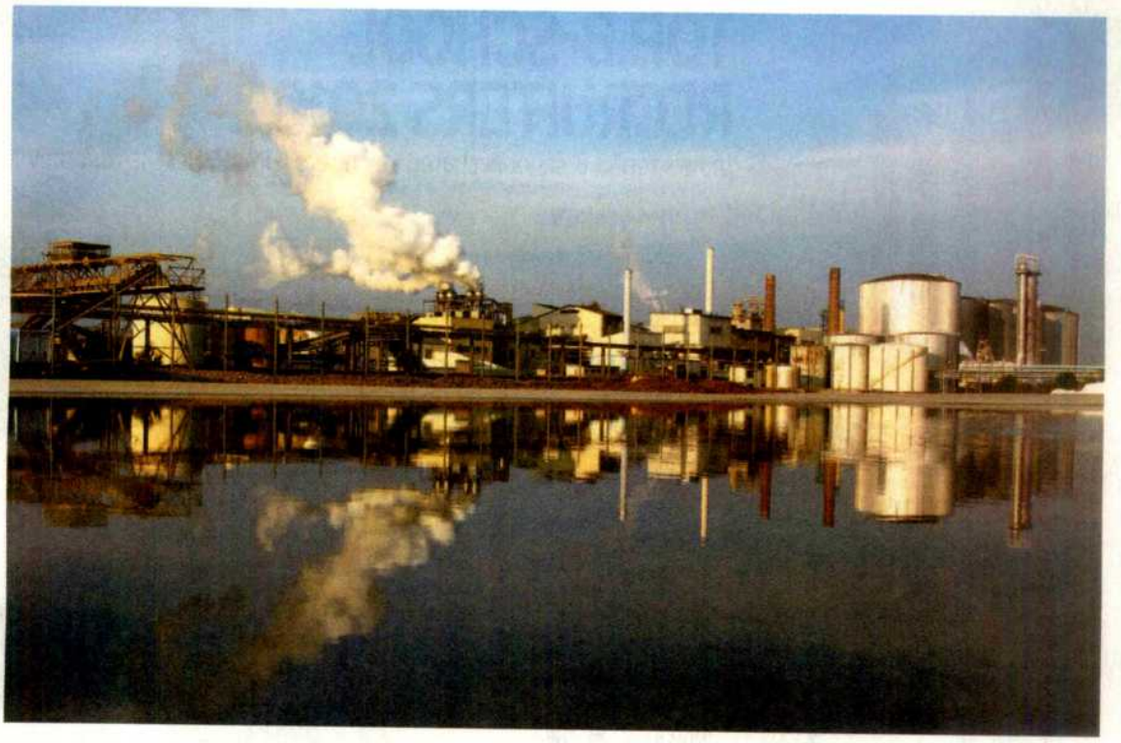
Every TAS recruit goes through a three-month rural stint where he or she lives and works in a village.



TAS

RACHIT GOSWAMI

TAS Head Rahul Krishna (L) with Satish Pradhan, Group HR Head, Tata Sons



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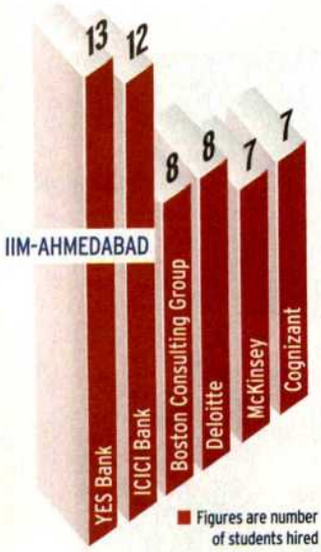
TOP B-SCHOOL RECRUITERS 2010...

India's top 13 B-schools shared key hirers with BT. Here is who they are.



IIM-AHMEDABAD

RECRUITERS	NO. OF STUDENTS HIRED
YES Bank	13
ICICI Bank	12
Boston Consulting Group	8
Deloitte	8
McKinsey	7
Cognizant	7

IIM-BANGALORE

RECRUITERS	NO. OF STUDENTS HIRED
Cognizant	11
Deloitte	11
BCG	9
ICICI Bank	9
McKinsey	9
American Express	7
Wipro	7

IIM-CALCUTTA

RECRUITERS	NO. OF STUDENTS HIRED
Accenture	14
Cognizant	14
YES Bank	13
ICICI Bank	10
American Express	7
Syntel	7
TAS	7
McKinsey	6
BCG	5

IIM-KOZHIKODE

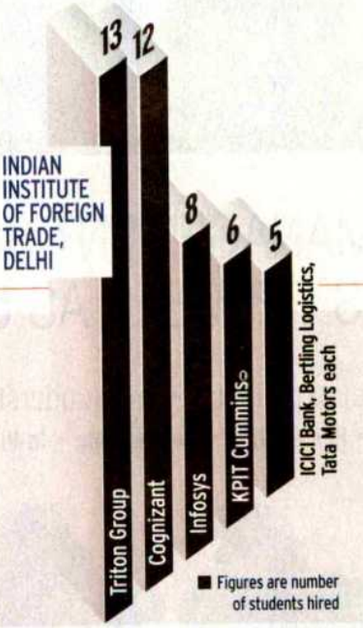
RECRUITERS	NO. OF STUDENTS HIRED
Deloitte	19
Cognizant	11
YES Bank	8
L&T	7
HSBC	7

SHAILESH J. MEHTA SCHOOL OF MANAGEMENT (IIT BOMBAY)

RECRUITERS	NO. OF STUDENTS HIRED
Deloitte	8
Accenture	6
Cognizant	5
YES Bank	4
ICICI Bank	4
HSBC	3
Johnson & Johnson	3

IIM-LUCKNOW

RECRUITERS	NO. OF STUDENTS HIRED
P&G	10
Cognizant	10
YES Bank	9
Goldman Sachs	8
Deloitte	8
Wipro	8



INDIAN INSTITUTE OF FOREIGN TRADE, DELHI

RECRUITERS	NO. OF STUDENTS HIRED
Triton Group	13
Cognizant	12
Infosys	8
KPIT Cummins	6
ICICI Bank, Bertling Logistics, Tata Motors each	5

INSTITUTE OF MANAGEMENT, NIRMA UNIVERSITY

RECRUITERS	NO. OF STUDENTS HIRED
Infosys	9
ICICI Bank	9
Religare	6
Daimler India Commercial Vehicles	4
Vedanta Resources	4
Citibank	2
Deloitte	2

FMS, UNIVERSITY OF DELHI

RECRUITERS	NO. OF STUDENTS HIRED
YES Bank	10
Accenture	6
TAS	5
Deloitte	5
Unilever	4
Citibank	4
ITC	4

MANAGEMENT DEVELOPMENT INSTITUTE, GURGAON

RECRUITERS	NO. OF STUDENTS HIRED
SBI CAPS	15
Cognizant	15
ICICI Bank	10
Corporation Bank	10
Tata Steel	8
Axis Bank	8

SYDENHAM INSTITUTE OF MANAGEMENT STUDIES RESEARCH AND ENTREPRENEURSHIP EDUCATION

RECRUITERS	NO. OF STUDENTS HIRED
ICICI Bank	19
Bank of Baroda	11
Crisil	5
Bank of America	5
Reliance Infra.	5

T. A. PAI MANAGEMENT INSTITUTE MANIPAL, KARNATAKA

RECRUITERS	NO. OF STUDENTS HIRED
Infosys	33
Cognizant	11
Citigroup	8
Genpact	7
Sify Technologies	7
ICICI Bank	6

DEPARTMENT OF MANAGEMENT STUDIES, IIT DELHI

RECRUITERS	NO. OF STUDENTS HIRED
Infosys	11
JP Morgan Chase	7
IBM	7
Genpact	7
Procter & Gamble	4
Deloitte	4

Source: BT Research

...AND THE RECRUITERS ASPIRED FOR

Management portal **MBAUniverse.com** conducted a poll of 200 students of 25 leading B-schools asking them to name their dream employer, favourite sector and the criteria for choosing a job. Key findings:

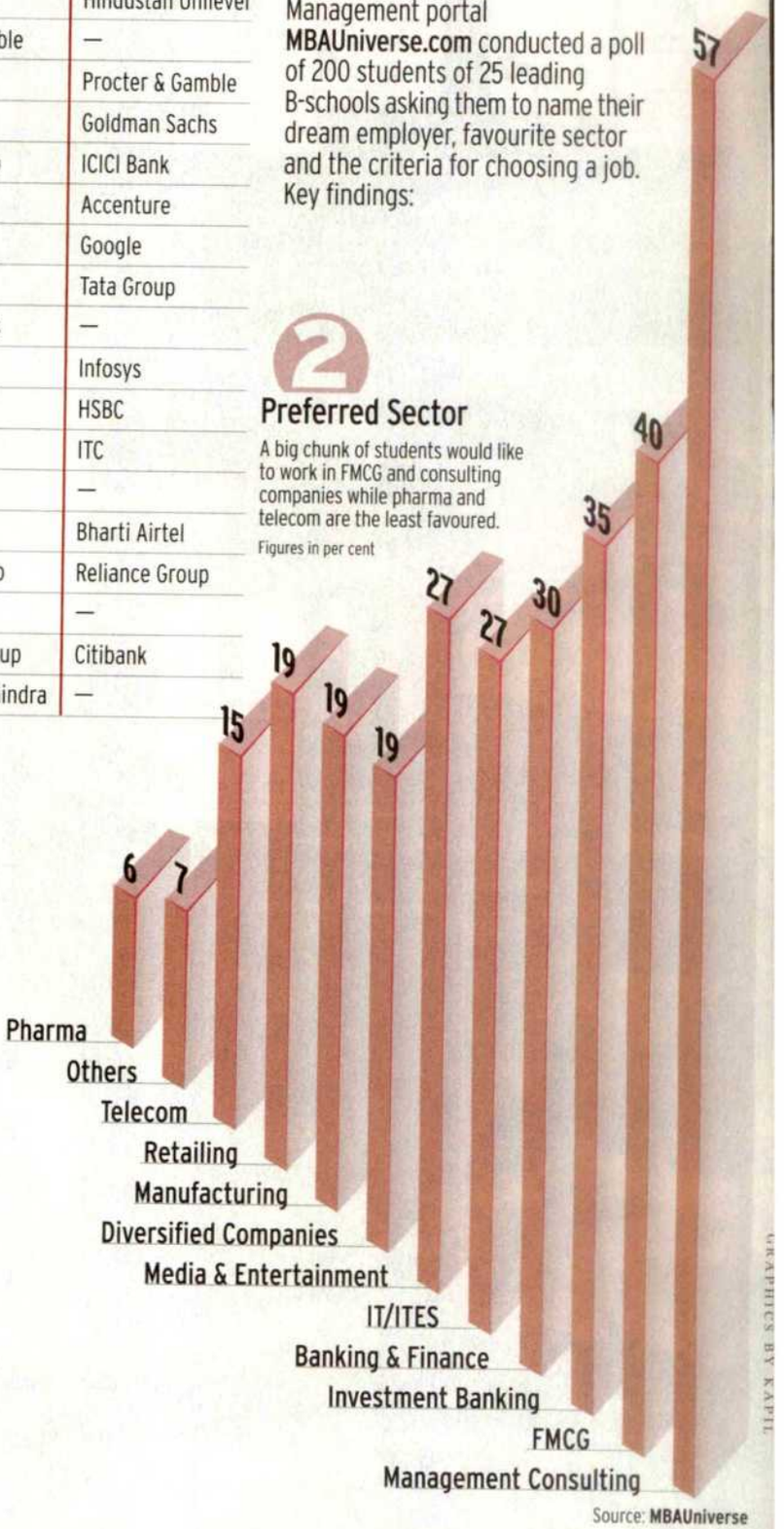
1 Dream Companies For Placement 2010

	CLASS OF 2010	CLASS OF 2009	CLASS OF 2008
1	McKinsey & Co.	McKinsey & Co.	McKinsey & Co.
2	Hindustan Unilever	Hindustan Unilever	BCG
3	TAS	BCG	Hindustan Unilever
4	Procter & Gamble	Procter & Gamble	—
5	BCG	ICICI Bank	Procter & Gamble
6	Goldman Sachs	Tata Group	Goldman Sachs
7	HSBC	Reliance Group	ICICI Bank
8	Mahindra & Mahindra	HDFC Bank	Accenture
9	Accenture	HSBC	Google
10	CapGemini Consulting	Infosys	Tata Group
11	Coca-Cola India	Goldman Sachs	—
12	Ernst & Young	Microsoft	Infosys
13	Google	Wipro	HSBC
14	JP Morgan Chase	Bain & Co.	ITC
15	Microsoft	Citibank	—
16	ACC	Bharti Airtel	Bharti Airtel
17	Adobe System	Larsen & Toubro	Reliance Group
18	Arthur D. Little	Google	—
19	Bharti Airtel	Aditya Birla Group	Citibank
20	Cadbury's	Mahindra & Mahindra	—

2 Preferred Sector

A big chunk of students would like to work in FMCG and consulting companies while pharma and telecom are the least favoured.

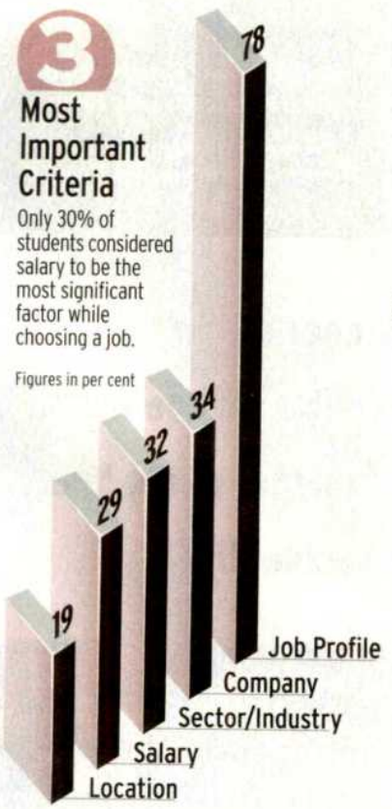
Figures in per cent



3 Most Important Criteria

Only 30% of students considered salary to be the most significant factor while choosing a job.

Figures in per cent



Source: **MBAUniverse**

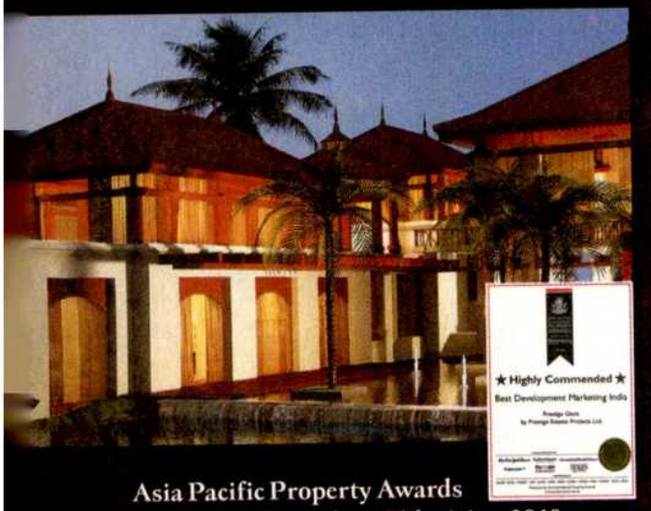
GRAPHICS BY KAPIL

The Architecture Award

UB City
Winner - Retail
Highly Commended - Office, Mixed Use,
Leisure & Hospitality

Asia Pacific Property Awards in association with Bloomberg Television 2010

Oakwood Premier Prestige Bangalore
Highly Commended - Best Hotel Construction & Design

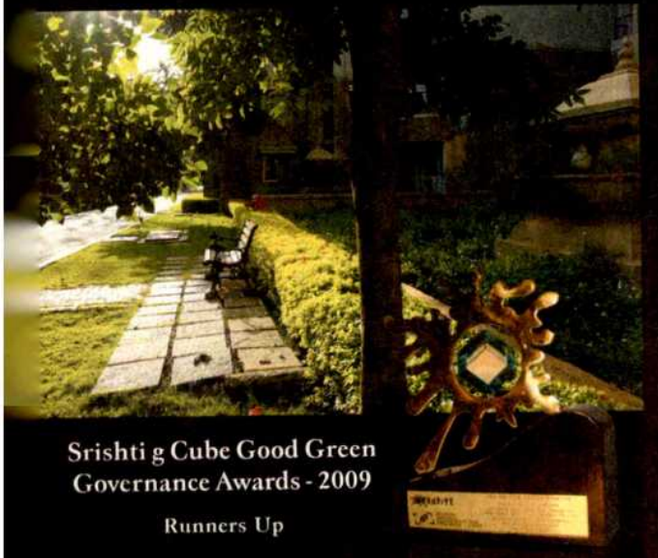


Asia Pacific Property Awards
in association with Bloomberg Television 2010

Prestige Oasis
Highly Commended - Best Development Marketing

CNBC Awaaz Crisil Credai
Real Estate Awards 2009

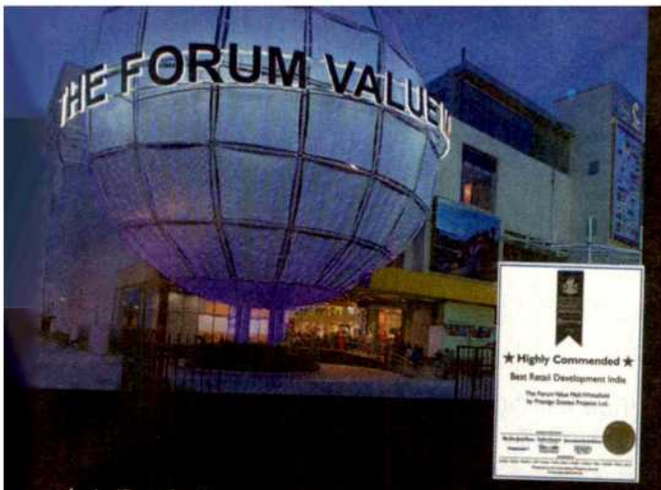
Prestige Kensington Gardens
Winner - Best Residential Property



Srishti g Cube Good Green
Governance Awards - 2009

Runners Up

Realty Plus Excellence
Awards 2009

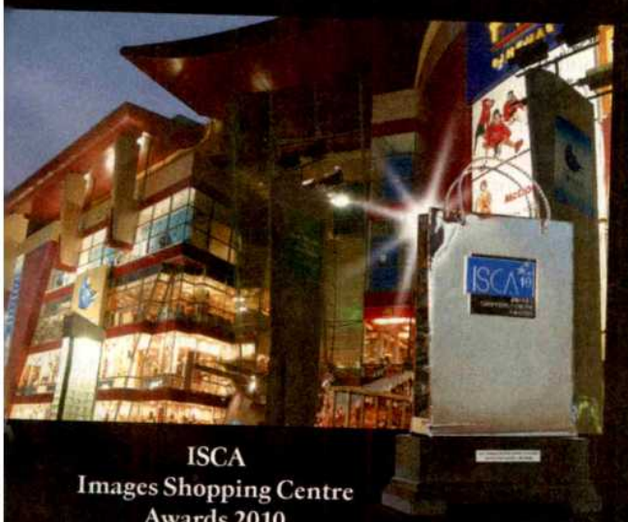


Asia Pacific Property Awards in association with Bloomberg Television 2010

The Forum Value Mall, Whitefield
Highly Commended - Best Retail Development

CNBC Awaaz Crisil Credai Real Estate Awards 2009

Cessna Business Park
Winner - Best Commercial Property



ISCA Images Shopping Centre Awards 2010

Most Admired Shopping Centre of the Year
Best ROI for Retailers - The Forum

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GAAP-AWARDS-2010

VIVEK JAIN

DEMYSTIFYING COHORTS

In 2010, IIM-A turned its placement system on its head. How well did the new cluster system work? BT gives you a first person account.

Last year, India's top B-School IIM Ahmedabad decided to shun the day-based student placement process for a new system based on cohorts. As part of the placement committee at IIM-A, I closely followed and contributed to the new system. Our brief was clear: Realign the placement system to the needs of the student and recruiter community. The main driver for changing from the established day-based placement process was the drastic increase in number of students over years.

Our placement committee had 20 members in all and the cohort-based placement process was a joint initiative from faculty placement chairperson and placement committee based on the feedback received from recruiters and students in the past. Recruiters and students alike felt that the day-based placement did not ensure good match-making.

Under the new system, placements would be conducted over continuous weekends called cohorts. Each cohort would host firms offering similar roles and opportunities. This change was expected to provide a better platform for interaction between recruiters and students compared to the day process. The day process led to great pressure on firms to make offers early and on students to accept offers on the spot. In contrast, the cohort-based system would allow more time per student to recruiters.

There were apprehensions, though. The biggest concern of recruiters was: Will it be a long drawn process? Every cluster was spread over two days on the weekend. This was to ensure that students were able to interview with maximum number of companies. Earlier, students would only be able to interview with two or three out of the 10 they had been shortlisted for. Recruiters were also worried about their schedule at other IIMs. In the normal course, recruiters would visit top IIMs within a timeframe of five to seven days. Also, the allotment of cohorts was done with a lot more say from students. We typically tended to have 12 to 15 companies for each cohort. This was a big change from 300 students vying for the attention of 30 companies simultaneously.

> The day process led to pressure on firms to make offers early and on students to accept offers on the spot. The cohort-based system would allow more time per student to recruiters.

Students, too, had their concerns. Since this was the first such move related to placements, all of us were filled with anxiety. How will placement pan out? Will the company stay for two days, especially since it had been a recessionary year? But somehow we were confident about this system working. Had the students vetoed the system, we would never have implemented it.

Now other IIMs might also look at implementing the new system. For all those who will be part of this system, keep in mind that the system has been devised keeping the interest of students and recruiters in mind. This new system ensures adequate match-making between the student's prowess and the firm's expectations. If you have any feedback, share it with your placement committee. This will enrich the system further, removing wrinkles, if any.⊙

The author was in IIM-A's placement committee this year

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UP AGAIN,

BUT NOT IN THE STRATOSPHERE

Pay packets get fatter, but cease to matter. Grads choose long-term career over riches. SAUMYA BHATTACHARYA

WHAT'S YOUR MBA WORTH?

25% Average salary increase at top 20 B-schools

Rs 20 lakh Average salary offered by I-banks

Rs 15 lakh Average salary offered by consulting firms

Rs 9.5 lakh Average salary offered by IT companies

Source: BT Research and MBAUniverse

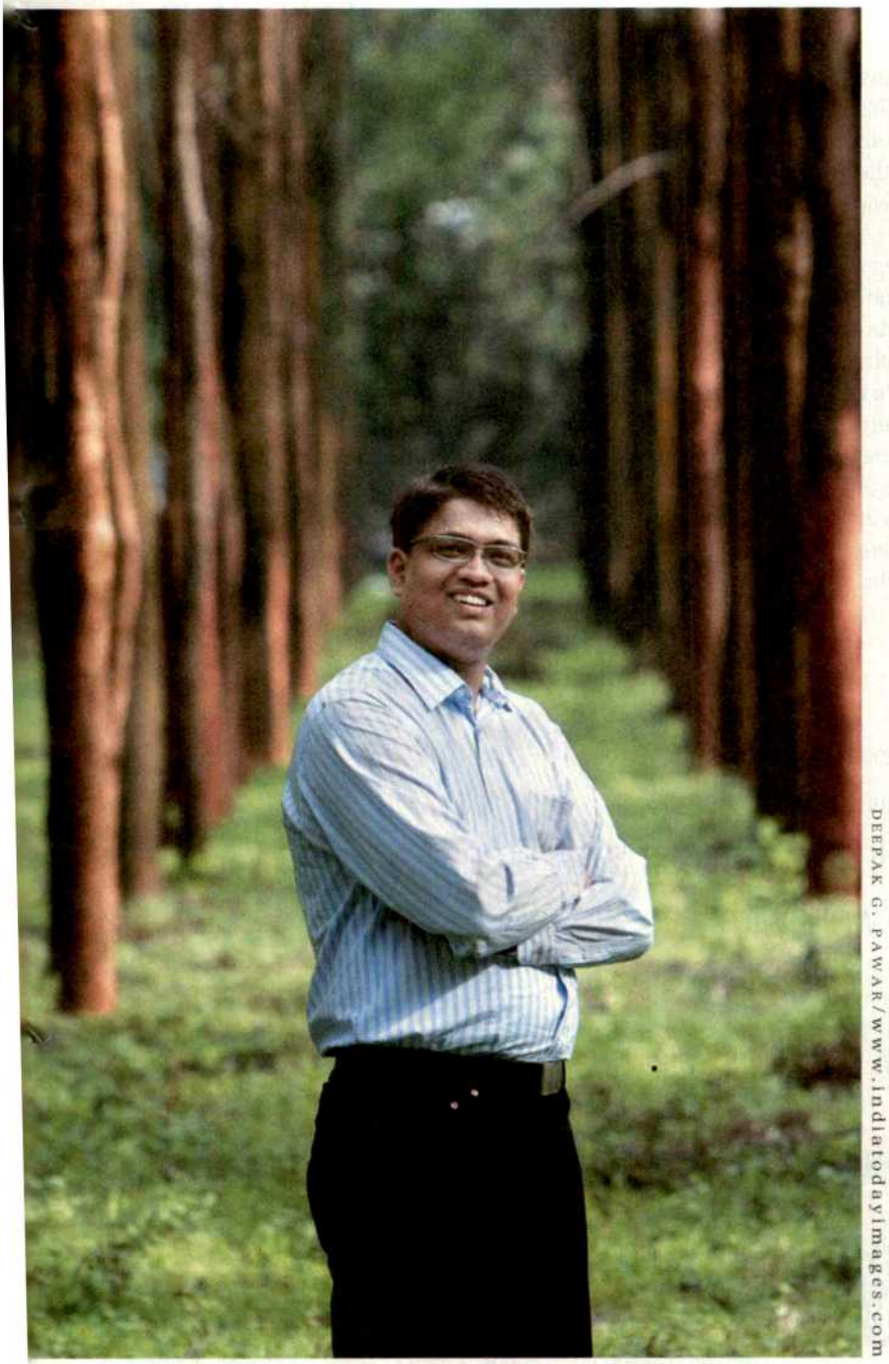
Money is not all." Coming as a chorus from the MBA grads of 2010, the words were music to the ears of recruiters. Until last year, an MBA stamp from a top B-school was a passport to success and recruiters would indulge every new batch with ever-rising records in compensation.

With the economic crunch, some old ideas about an MBA as a passport to success and money crumbled. At the Indian Institutes of Management (IIMs), salaries plunged by as much as 30 per cent for the batch of 2009, and some of the grads had to reconcile themselves to "lowly" salaries in the range of Rs 5-8 lakh at government banks. Little surprise then, that the subsequent batch—the Class of 2010—learnt its lessons well before taking the workplace plunge.

Shashank Mutalik, 24, was shaken up last year when jobs dried up for his seniors at the Management Development Institute (MDI), Gurgaon. "The placement scenario got worse by the day and we saw our seniors struggling," he says. Mutalik's batch had no idea what the future had in store for them, the batch of 2010, but they were sure of one thing: they did not want to be caught unawares.

What followed was a rigorous preparation over the next one year to raise skill levels in a bad job market. "Normally, you have classroom understanding of theory. Our batch put a lot of this theory into live projects," says Mutalik of the work that went in to stand out. He and his peers were fiercely competitive and more aware of life at the workplace.

Compensation was not the top concern, but Mutalik was acutely aware that the previous batch had settled for less than half of what they had expected. "For me, the company brand and my profile were of utmost importance. I wanted a profile in sales and I got that at Hindustan Coca-Cola Beverages. If you have a sound career trajectory in place, compensation will follow," says Mutalik.



DEEPAK G. PAWAR/www.indiatodayimages.com

Shashank Mutalik, 24,
MDI, Gurgaon. Joins Hindustan Coca-Cola Beverages as Management Trainee

Key Job Pull: Profile and brand

"If you have a sound career trajectory in place, compensation will follow"

At IIM-Calcutta, average salaries went up by 20 per cent this year, but Rohan Mahajan, 23, wasn't overly excited. "I had aspirations only in terms of company brand and the people I would work with." Mahajan had done his summer internship at Citibank and also got an offer for final placement. He wasn't too worried about his placement even when he saw his seniors suffer last year. "Sure, there was a drop in salaries, but if something has gone down, it will eventually bounce back," he says.

And bounce back it did. While wannabe managers learnt to make informed choices, salary packages did rebound this year—increasing by more than 40 per cent on average at some B-schools.

"In terms of Tier I of B-schools, (the number of) jobs from domestic MNCs have risen sharply. So, salary levels have gone up. We are still some way from the 2007-08 levels, though," says K. Pandia Rajan, Managing Director, Ma Foi Group and Randstad India, a staffing and executive search major.

Students at MDI were faced with a happy dilemma: choosing between high salary and a good profile. "Sectors such as IT, consultancy and FMCG, which didn't visit last year, have participated this time. Besides, sectors like logistics, microfinance and energy, which never came to MDI before, hired many students in 2010... there was lot of choice for students," says N.R. Bhusnurmath, Dean, Placement & Corporate Affairs, MDI. He expects the trend to continue. "Salaries will increase 25-30 per cent in the next year's placement season," he says.

At the Indian Institute of Foreign Trade (IIFT) in Delhi, grads got mega bucks for their MBAs thanks to the return of foreign firms. "As far as salaries are concerned, new benchmarks have been created this year.

Compared to last year, the average salaries have gone up by 43 per cent," says Munish Bhargava, Corporate and Placement Advisor, IIFT. In fact, no foreign company came to the IIFT campus last year, but this year 17 students have got jobs offers from foreign firms for postings abroad with the highest salary touching $150,000 a year (around Rs 70 lakh).

In 2009, nearly 30 per cent of IIFT students opted for jobs at public sector undertakings, or PSUs, because of job stability. This time, despite a significant hike in PSU salaries after the Sixth Pay Commission's recommendations, only seven per cent of the students accepted PSU jobs. If the foreign companies continue to hire aggressively and India's GDP grows at above eight per cent, it is likely that there will be 10-15 per cent rise in salaries next year, predicts Bhargava.

Beyond foreign firms, the return of the big fish—banks, private equity companies and consulting giants—also buoyed the sentiment and pay packages for the grads, too. At IIM-Bangalore, the entire batch was placed in five days—half the time taken in a gloomy 2009. Last year's first-time recruiters were again on the prowl this year, but got smaller numbers.

"Last year, a lot of new companies got noticed because overseas recruiters vanished. In 2010, many of them have returned, even if the overall hiring numbers are smaller," says Prof. Jose P.D., the chairperson of Placements at IIM-B. The institute does not disclose salary details of final placements, but students and recruiters *BT* spoke to estimate a 20-30 per cent hike over last year.

The placement exuberance meant that grads like IIM-B's Vikas K. Bansal,

Rohan Mahajan, 23

IIM-Calcutta. Working as Management Associate with Citigroup

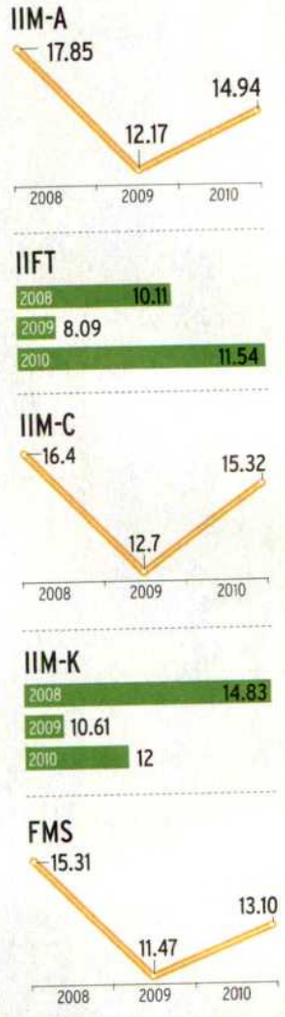
Key Job Pull: Employer brand and peer group

"I had aspirations only in terms of company brand and the people I would work with"

SATISH KAUSHIK

UPWARD BOUND, AGAIN

Average annual salary offered in the last three years (Rs lakh).



Only two-year data available on the following institutes.

Source: MBAUniverse

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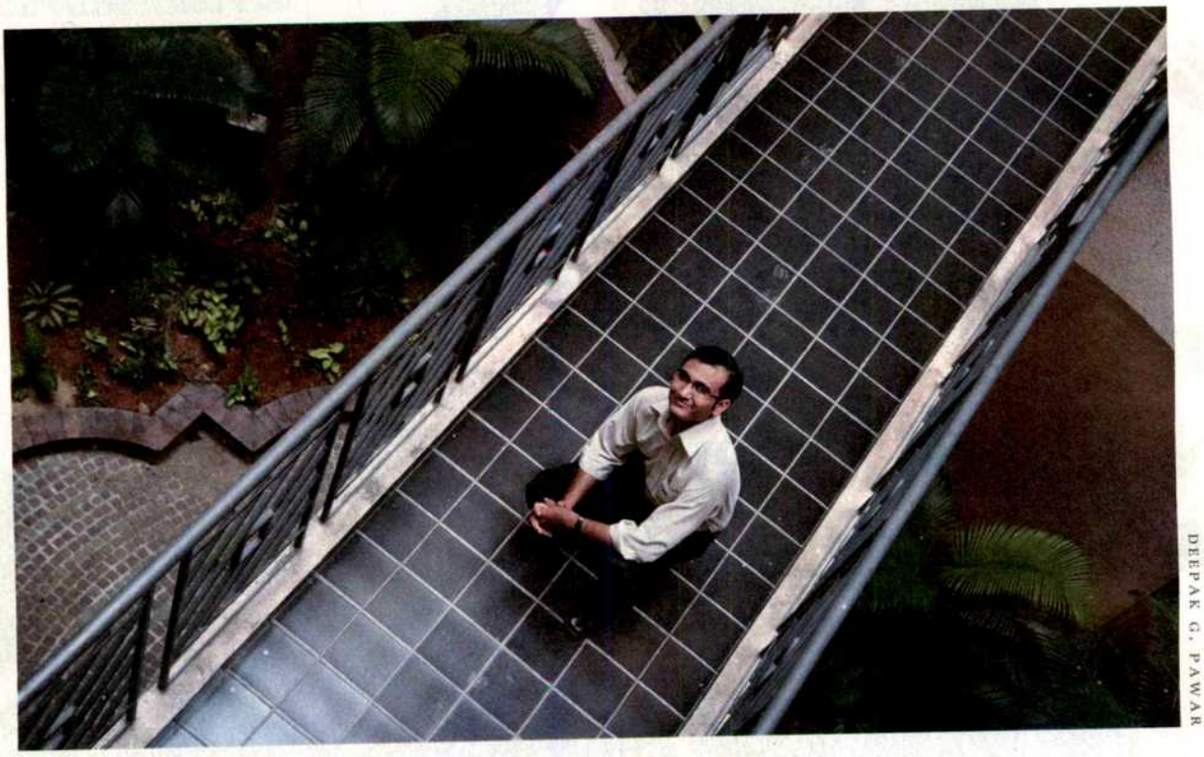


DEEPAK G. PAWAR

Vikas K Bansal, 26, IIM-Bangalore. Working as Product Manager at NetApp

Key Job Pull: Managerial role within technology industry

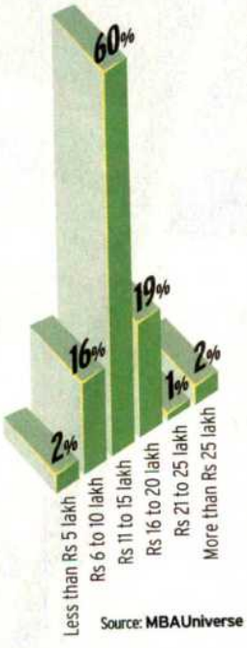
"I wanted to graduate to a managerial role within the tech industry"

26, got the niche role that they were so keen on. Bansal was hired by IT storage company NetApp for its research and development centre as a product manager. "I wanted to graduate to a managerial role within the technology industry," he says. Ask him about the mood and atmosphere at campus when placements took place and he's quick to point out the sea change this year.

IIFT's Atul Bansal was in for a pleasant surprise. On Day Zero, the most-coveted slot of placements, created by top B-schools to accommodate big recruiters, Atul was offered job as Young Leader, Sales & Marketing, by Bharti Airtel at a salary of Rs 11.5 lakh per year. He was also given a joining bonus of Rs 75,000. "I was not expecting such a major rebound because even before the 2009 placements, when the times were good, the average compensation package offered at IIFT was around Rs 10 lakh," he says.

WHAT STUDENTS EXPECTED

% of students with different salary slabs expected.



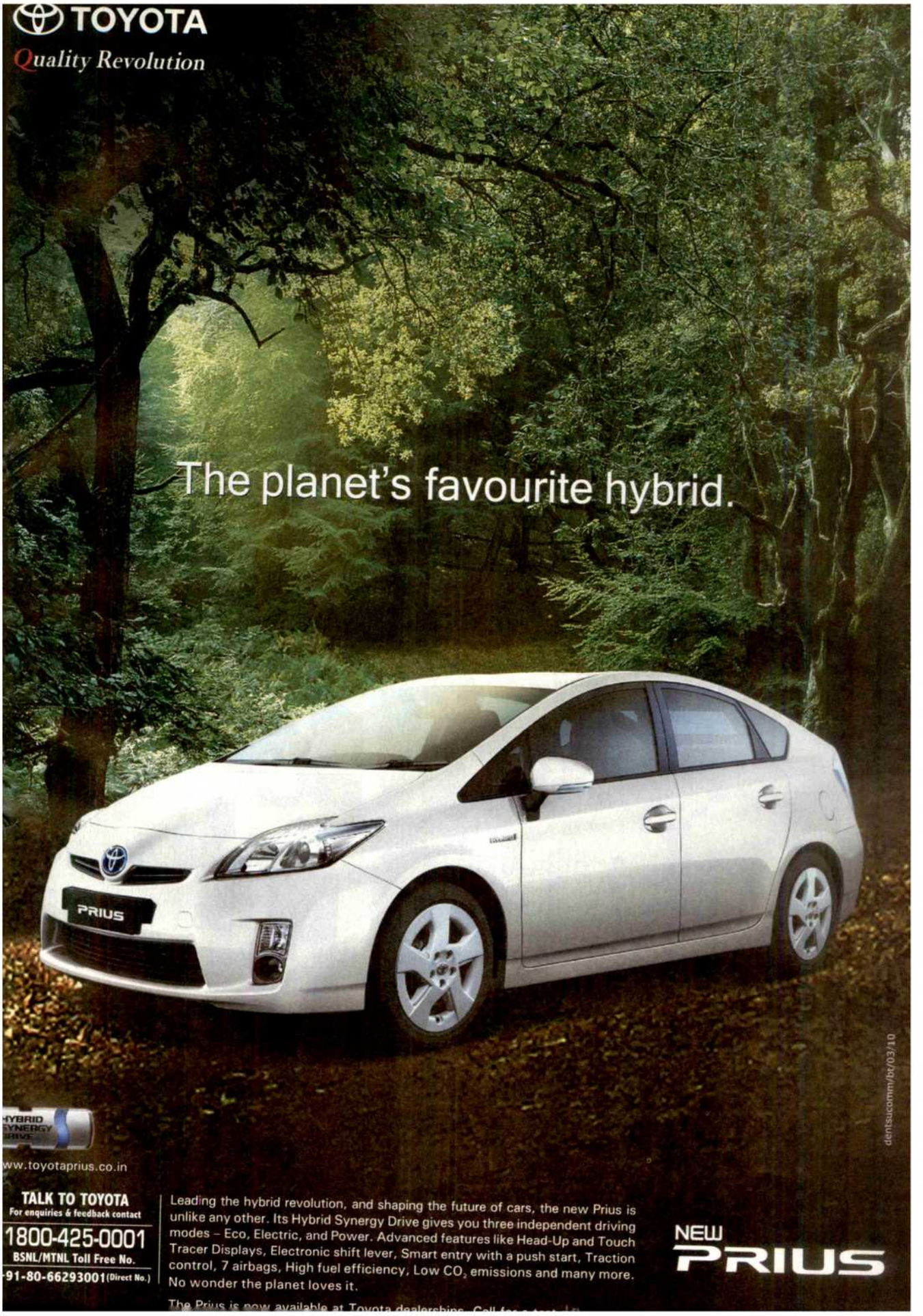
Source: MBAUniverse

Some, like Bhavani Shankar, 37, from the Class of 2010 at the Indian School of Business, Hyderabad, decided to put career choice before salary. Around January this year, he got the highest domestic job offer at that time at campus from a leading microfinance company.

"The job was to head its pan-India operations but I opted out and chose to work instead for a promising start-up," he says, though it meant a much lower pay packet at Redpine Signals, the wireless systems start-up that he decided to join. "The role here was more exciting—the sales and business development account for the Asia Pacific and Middle East regions...I also found the people here very intellectually oriented and professionally driven," he says.

With wannabe managers making informed and mature choices, recruiters sure got the best bang for their buck this placement season. ⊙

ADDITIONAL REPORTING BY E. KUMAR SHARMA, RAHUL SACHITANAND AND MANU KAUSHIK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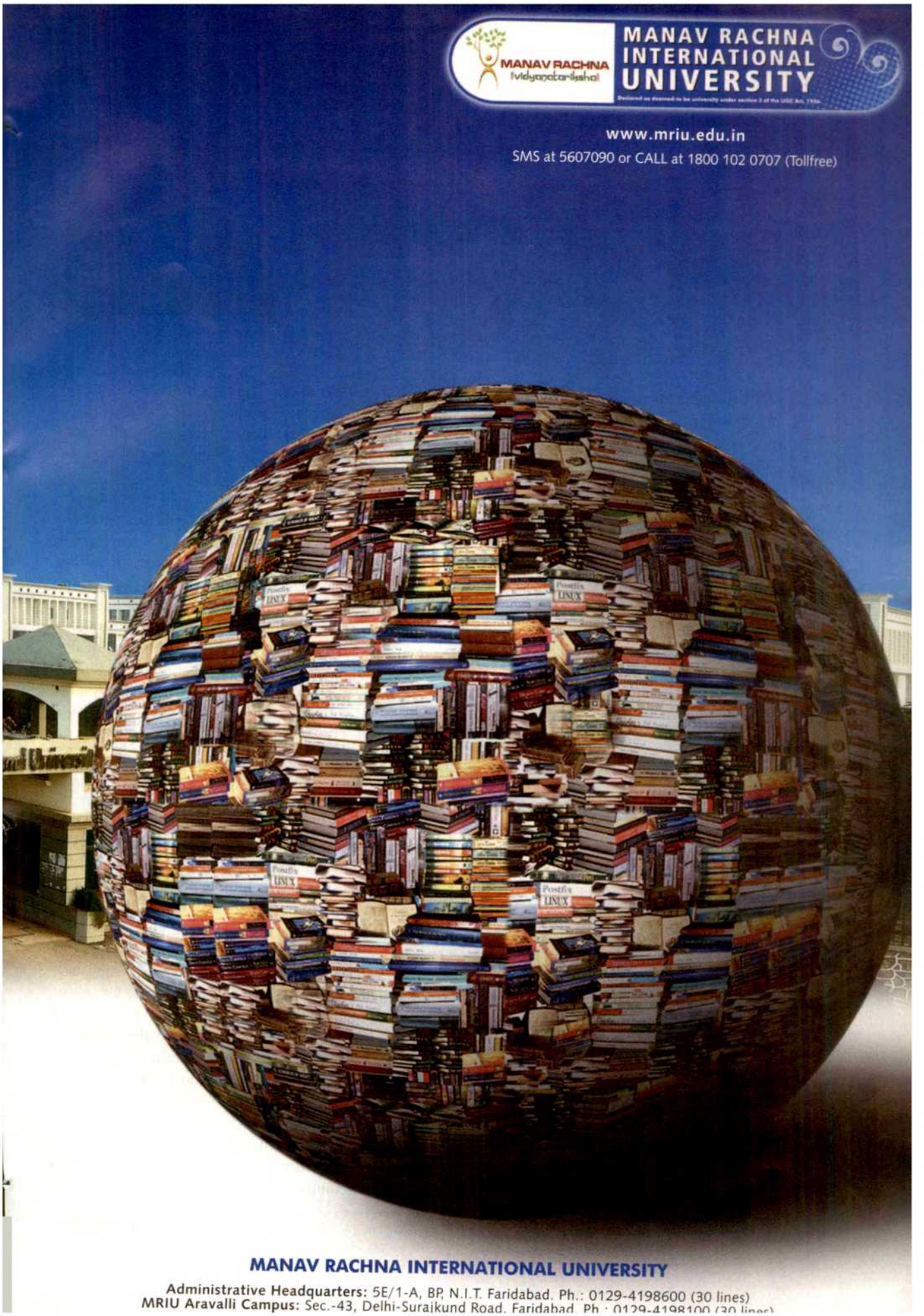
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MANISH SABHARWAL

A BITTERSWEET EMPLOYMENT MARKET

By the end of this placement season, business and engineering graduates of the current class will relate to the lines of Charles Dickens: ..."It was the best of times and it was worst of times...." This class will graduate to a bittersweet employment market where employers are confused; they know India had a good crisis and is growing but this crisis reminded them about productivity—that they can do more with less. The downturn has created scar tissue for a generation of managers who grew up in twenty years of high tide but had to face the brutal consequences of lower productivity and "anticipatory hiring" in the last two years. Other companies, however, felt the train had left the station but now find themselves presented with a unique opportunity to re-board the train.

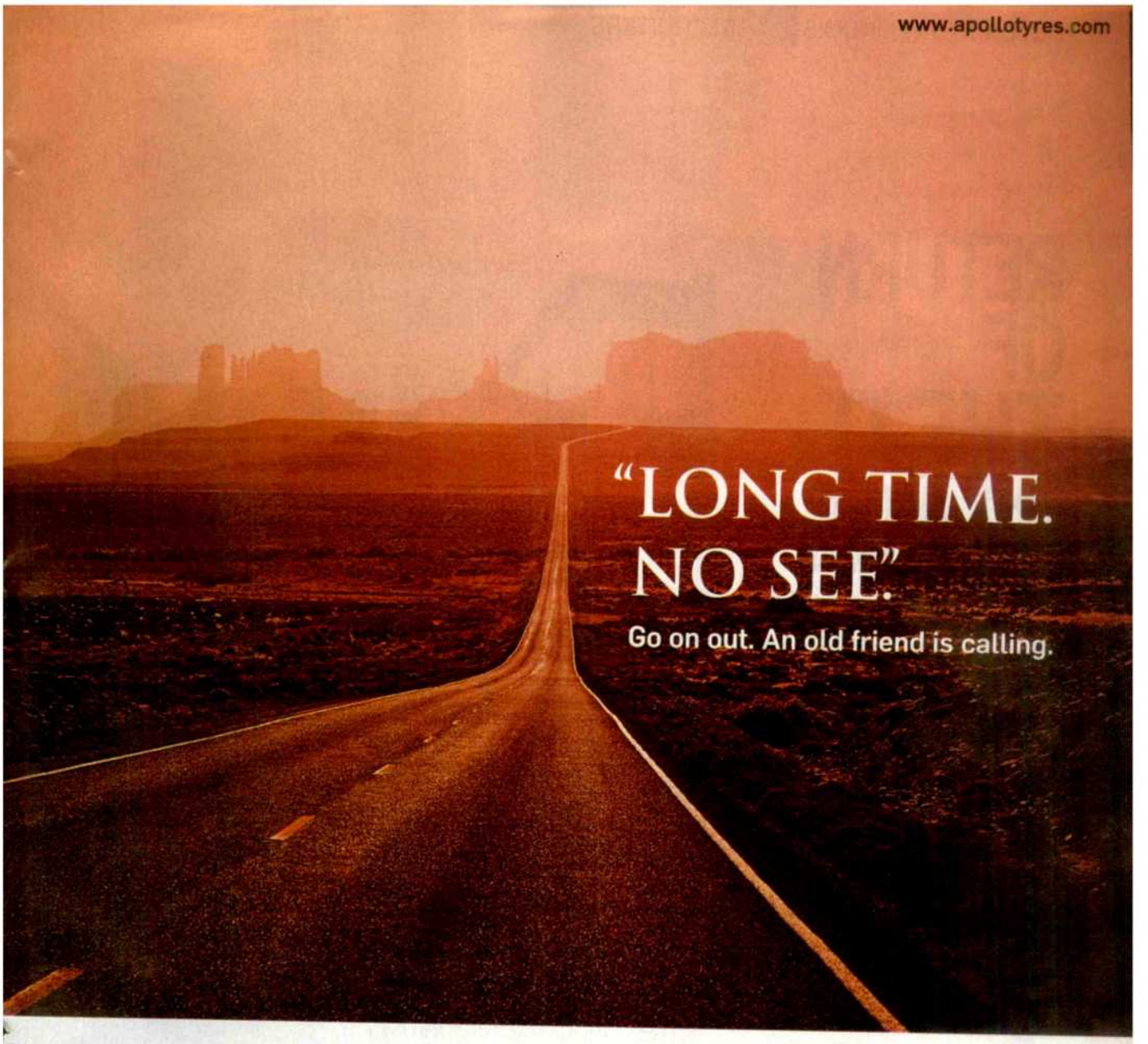
So after two years of hiring being biased in favour of people with experience, fresher hiring will come roaring back. But the difference from the last high tide is that companies are not willing to lower hiring standards driven by the hope of making it up by expensive "on-the-job-training". So being an engineer or MBA is no longer good enough because employers have realised that our education Nazis have done a bad job of college accreditation and there is a quality challenge beyond the top 100 institutions. So smart employers have decided to filter freshers for life skills—creativity, confidence, curiosity, learnability and teamwork—rather than technical skills. But independent of which institute a student graduates from, employers now recognise that summer internships, extra-curricular activities and no-academic courses demonstrate initiative which is a strong predictor of workplace performance.

The labour market is also diverging between "India as a market" and "India as a production base". India as a production base for exports is still not completely rocking because the global economic gloom has still not fully shifted. We see some early signs of change in the outlook for IT and ITES that should cheer students but it's still early to call for a broad recovery across all export sectors. However, the overall mood has clearly reversed as indicated by upward momentum in the BT-Teamlease Employment outlook which rose by 11 per cent in the last quarter. Freshers would increase their chances of getting lucky by targeting fertile geographies and industries. The industries most likely to recruit are telecom, financial services, hospitality, health care, and education. The most optimistic city continues to be Bangalore, though the performance of Ahmedabad and Kolkata continues to surprise. This may be because India's labour market is diverging from China, which decided that the best way to reduce poverty is by exports. It is still early to say if our model of domestic consumption and services will help reduce poverty on a wide scale, but it offers huge opportunities for skilled and motivated youth because there is a lot more diversity in jobs, functions and geographies.

Smart employers have decided to filter freshers for life skills–creativity, confidence, curiosity, learnability and teamwork–rather than technical skills.

Overall, talented and skilled freshers are lucky to graduate this year: corporate India is positioning itself to catch its next high tide. The downside for everybody is that employers have raised hiring standards and it will be up to students to differentiate themselves. A word of caution to students graduating from the top institutes profiled in this issue: Education is an important differentiator in the early stages of a career but finally workplace success is about what you can do. More often than not patience, persistence, and temperament trump intelligence. Corporate India is finally catching on.⊙

The author is Chairman, TeamLease Services



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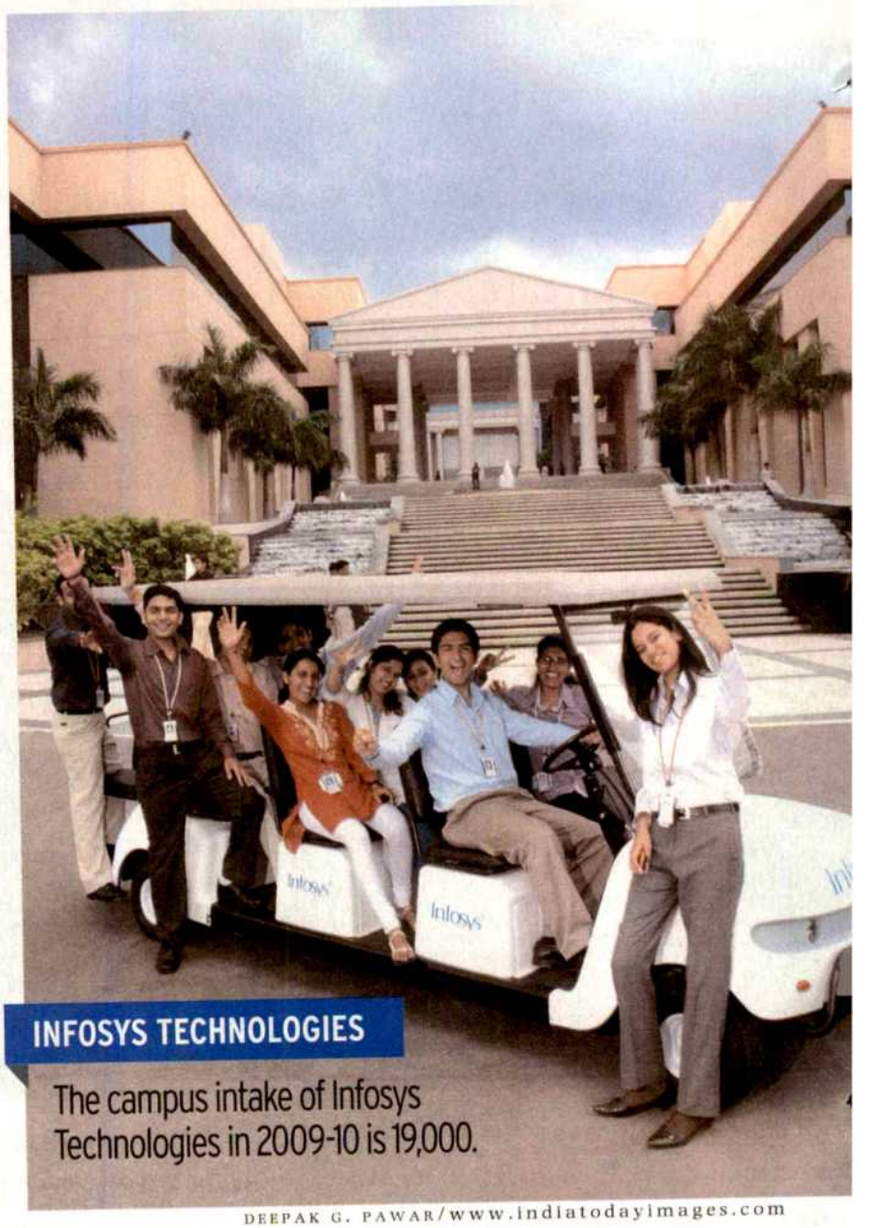
RETURN OF THE IT CZARS

After a tough year, IT companies return for engineering talent. PSUs continue strong.

SAUMYA BHATTACHARYA



INFOSYS TECHNOLOGIES

The campus intake of Infosys Technologies in 2009-10 is 19,000.

DEEPAK G. PAWAR/www.indiatodayimages.com

Pundits will love to tell you that a recession is one of the best times to hire—you get talent cheap, and you can zero in on the best in the pack. If you tried telling that to human resource (HR) honchos at India's top tier information technology (IT) services firms a year ago, they wouldn't have been impressed with such counter-intuitive counsel. As growth rates in the sector dropped from the highs of 30 per cent into low single digit, there was a virtual massacre in the IT services job market. The April to June 2009 quarter and the subsequent three months saw IT companies downsize in their bid to do more with less. Recruitments were the last thing on their minds as they grappled with the the collapse of several US and European financial institutions that were among their biggest clients.

The top Indian IT firms—Tata Consultancy Services, Infosys Technologies, Wipro, and HCL Technologies—earn more than half of their revenues from the US. TCS, for instance, had a certain Lehman Brothers as one of its larger clients, as well as another investment bank, Bear Stearns, which was sold to JP Morgan. Burdened with excessive bench strength, IT biggies had to grapple with pre-placement commitments made in 2007-08 for the following fiscal and to defer campus placements for the Class of 2009. In fact, this time last year, IT giant Wipro decided to skip campuses for the final placement season.

For close to 500,000 engineering grads entering the job market, it was nothing short of an apocalypse. That's because IT and related industries account for close to half of all placements of engineering grads. Explains Rajesh A.R., VP, TeamLease Services, a leading staffing firm: "IT recruits mostly engineers across streams. Each campus has high sectoral representation, but the numbers are driven by IT."

MONEY SHARMA

NTPC

NTPC hires almost 400 students from campuses, the rest of its requirement is met by competitive exams.

Cut to 2010. IT recruiters are back—not to the euphoric levels seen in the five years before the 2008 meltdown but they're back, treading gingerly in pockets where the action is. Instead of making offers a year in advance, these companies are now picking up talent in the final semester. And if numbers are any indication, the long winter across engineering campuses has ended in a pleasant thaw. The campus intake of Infosys Technologies in 2009-10 was 19,000 while TCS has visited 371 campuses for hiring and made 20,050 campus offers in the recently-concluded fiscal, with 72 per cent of these made in the January-March quarter alone. Cognizant, the top recruiter in the BT survey, hired 7,100 in the quarter.

It's hardly a surprise then, that of the top five companies in our top recruiters' list, four are IT services players. Says Ajoy Mukherjee, VP and Head, Global HR, TCS: "The recruitment engine continues to fire on all cylinders. We will continue to hire people aligned with business domains. TCS is likely to

THE TOP 15

RECRUITERS	NO. OF STUDENTS HIRED FROM TOP 10 ENGG. INSTITUTES
1. Cognizant	543
2. Tata Consultancy Services	438
3. IBM India	179
4. Infosys Technologies	176
5. Coal India	140
6. Aricent	134
7. NTPC	73
8. Oracle	72
9. Bharat Heavy Electricals	53
10. Deloitte	51
11. ONGC	38
12. Reliance Industries	37
13. iGate	35
13. HP India	35
15. Larsen & Toubro	33

The rankings and number of students hired are based on data received from 10 engineering institutes that were asked to list their top six recruiters in 2010. Total recruitment by these companies could be higher than the number mentioned above. And there will be companies that may have hired more engineers—but not from these top institutes. (List of institutes on pg. 37)

make about 30,000 gross additions in 2010-11. I think the hiring ratio will be around 60 per cent plus for freshers and 30 per cent plus for experienced professionals."

It's a similar story unfolding at other IT-services companies. Cognizant visited 75 engineering schools to pick up talent for its technology solutions business. Though the company did not share the exact number of hires, in 2009-10 it added 21,800 to its total global headcount, of which 60 per cent are fresh engineering and science graduates.

Wipro, ranked #26 in our survey, hired 2,500 from engineering colleges and added 1,300 under its Wipro Academy of Software Excellence (WASE) programme. Wipro's Executive Vice President (HR) Pratik Kumar estimates that Wipro's campus hires for the present financial year is between 11,000 and 12,000. That's not all. Pradeep Bahirwani, Vice President, Talent Acquisition, Wipro says: "We are also hiring off-campus graduates from science streams, from the 2009 and 2010 batches, for meeting the existing demand."

The bonanza for engineering students extends beyond the big boys. Coveted employers like Microsoft India Development Center were back on campus to hire more aggressively. "In 2010, we went to the top 25 engineering institutes in India (IITs, NITs and a few state-level good engineering colleges) and hired close to 100 graduates who are all coming on board in the next 2-3 months," says Srini Koppolu, Corporate Vice President and Managing Director, Microsoft IDC. Last year, it had hired 75 engineers; the year before that it had taken more than 125.

Telecom technology and services company Aricent, ranked #6 in our survey, made 1,000 offers to the class of 2010. Say Amitabh Hajela, Head of HR at Aricent: "Recession was a reality. Students are very aware now.

A. PRABHAKAR RAO

This year, the company has hired close to 100 grads from the top 25 engineering institutes compared to 75 it hired last year.

They look at quality, stability, culture, learning potential and quite honestly how companies behaved in recession. This is definitely reflected in interest among students this year; public memory is not too short."

Beyond IT and technology companies, public sector behemoths dangle the carrot of stability. Power utility NTPC, ranked #7, started the campus recruitment of engineering students in 2007. "Since then, we have been hiring almost 400 students every year, which makes up almost half of the total entry-level engineering recruitment annually; the rest of the requirement is met by national-level competitive exams," says Q. Khalid, DGM (Recruitment).

Indian Oil Corp hired 340 students in 2009 from 48 campuses; they will join later this year (June-September). IOC hires from all the IITs, University of Jadavpur, NITs, BITS and Delhi College of Engineering. It offers a fixed-scale starting in the band of Rs 8-12 lakh a year.

It is still early days yet for the Class of 2011 to start celebrations for the next year. IT companies, like Wipro, offer them "cautious optimism" at best. "One thing we have learnt from the downturn is that nothing is guaranteed. Offers will come, but they will come close to our requirements. We will make commitments only if the demand is sustained," says Bahirwani. And as Hajela of Aircent puts it: "Just when you think the recovery is on, you've troubles in Europe." ⊙

ADDITIONAL REPORTING BY T.V. MAHALINGAM, MANU KAUSHIK, PUJA MEHRA AND E. KUMAR SHARMA

What's your BE/BTech Worth

Average salary offered in 2010 (Domestic)
4.99 (up 10.11 % from '09)

Average salary offered in 2010 (Overseas)
14.43 (up 6.5 % from '09)

Figures in Rs lakh per annum

Who's Hiring India's Engineers

Figures in per cent

Source: Synovate

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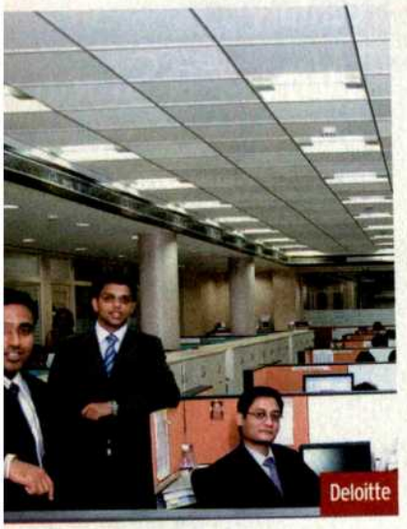
TOP ENGINEERING RECRUITERS 2010

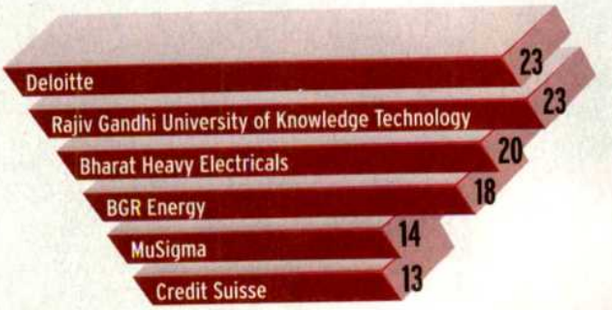
IT, core sector cornered top talent at key institutes.



IIT-GUWAHATI

RECRUITERS	NO.OF STUDENTS HIRED
TCS	20
IBM	20
NTPC	14
Reliance Inds.	13
BGR Energy	13
Oracle	11

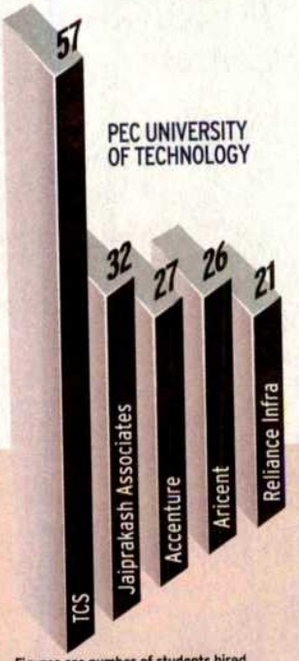
IIT-MADRAS



Figures are number of students hired

IIT-ROORKEE

RECRUITERS	NO. OF STUDENTS HIRED
BHEL	33
Deloitte Consulting	28
Coal India	27
Reliance Industries	24
NTPC	19
TCS	18



Figures are number of students hired

INDIAN SCHOOL OF MINES

RECRUITERS	NO. OF STUDENTS HIRED
Coal India	80
ONGC	38
TCS	30
Wipro	20
Aricent	17
Jindal Steel & Power	15

IIIT-HYDERABAD

IBM	10
Pramati (Product Division)	8
Amazon	7
Directi	7
Bank of America	7

PSG COLLEGE OF TECHNOLOGY

Cognizant	347
Infosys	87
TCS	61
Larsen & Toubro	33
IBM	30

NIT-WARANGAL

TCS	51
Infosys	42
Cognizant	39
Adani Power	27
Oracle	25
NTPC	23

BIT, MESRA

RECRUITERS	NO. OF STUDENTS HIRED
TCS	201
Aricent	91
IBM	53
Infosys	47
iGate	35

IIT -BHU

Cognizant	157
IBM	49
Coal India	33
SAIL	21
Oracle	20
NTPC	17

99% of engineering placement, on average this year, was domestic.

23 was the average number of new recruiters visiting campuses this year.

Source: *BT* Resea

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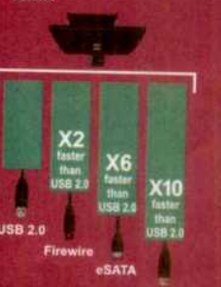

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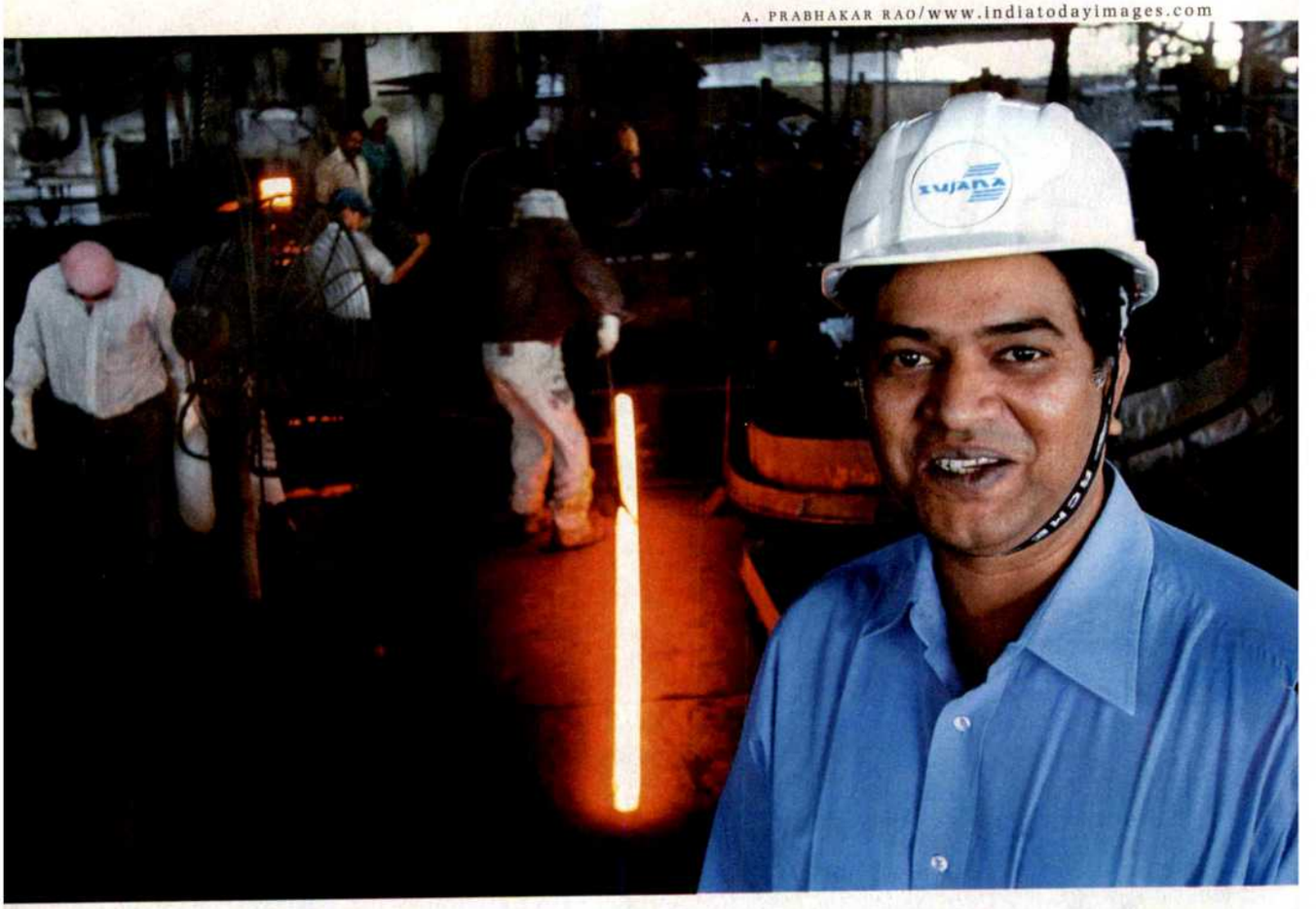
THE CURSE OF 2009

The class of 2009 at premier B-schools was in the right place, but at the wrong time. Are they going to be permanently behind in position and compensation? A year later, BT takes stock. SAUMYA BHATTACHARYA

A. PRABHAKAR RAO/www.indiatodayimages.com



A.V.S Prasad, 40
PASSED OUT IN 2009 FROM: ISB, Hyderabad
CURRENT JOB: General Manager (Projects), Sujana Group

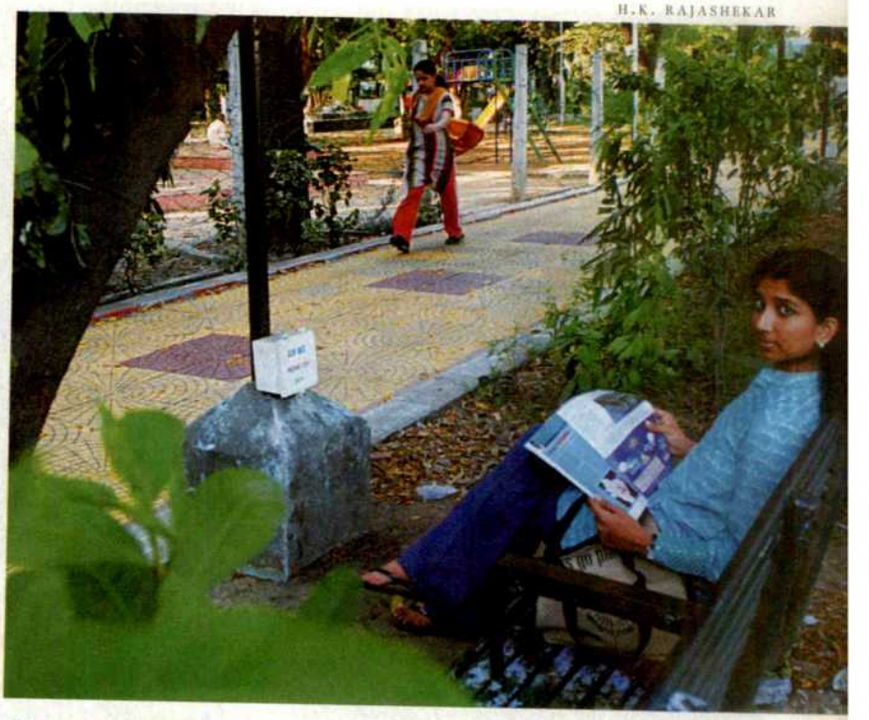
"Students must have the wherewithal to get vital info cluttered around pre-admission hype at B-schools"

What would you do if you are young, restless and stuck in a seemingly monotonous job? Well, you could quit and skill yourself to climb the career ladder. That's exactly what Anshu Kumar Chaddha, 27, did when he quit his job as a software tester to do an MBA from IIM Lucknow. A

B.Tech from the Indian School of Mines, Dhanbad, Chaddha had thought he had put his career on the fast track till it hit the slowdown barrier. "From getting the job of your dreams, it was all about landing a job," he says. An engineer with the government-owned NTPC Ltd, India's largest power producer, he found himself a role that fits his long-term career plans. "I was focussed on finance and strategy roles. NTPC was offering these roles, so I applied," he says, adding that public sector undertakings by and large don't define roles as clearly as NTPC does.

Or take the case of A.V.S. Prasad, 40. When he decided to leave a job spanning 17 years at SAIL for an MBA at the Indian School of Business in Hyderabad in 2008, Prasad wanted to get out of a profile that was purely technical; hoped to reside in a city instead of a township and wished to cash in on the booming economy by landing a plum job. In retrospect, his calculation went awry for no fault of his own. "The market boom went bust and so did the encashment. Period," laughs Prasad, now GM-Projects with Hyderabad-based Sujana Group, a steel and power conglomerate. In his second job since leaving B-school, Prasad says, "B-schools sure give unparalleled insights, but aspiring students must have the wherewithal to get vital info that is cluttered around pre-admission hype at B-schools." If the market itself is savaged, your expectations will have to climb down and adapt to the new reality, says Prasad.

H.K. RAJASHEKAR



Charanya Ragothaman, 24

PASSED OUT IN 2009 FROM: Loyola Institute of Business Administration

CURRENT JOB: Associate at PKF Sridhar & Santhanam, Chennai

"In a smaller CA firm I get more exposure... in a bigger firm I am not sure I will have such leeway"

Prasad and Chaddha belong to the Class of 2009 of India's premier B-schools, the class that graduated to face the toughest job market in recent memory. Conventionally big recruiters—both global and domestic—gave their placements a miss. The grads had to make do with PSUs and unheard-of first-timers. Not just that, their salary packets shrank to dismal levels—a 20 per cent decline from the previous year's average salaries across most Tier I institutes. Tier II and Tier III bore the brunt of the meltdown: estimates put placements at 50-60 per cent and 20-25 per cent, respectively.

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Anshu Kumar Chaddha, 27
PASSED OUT IN 2009 FROM: IIM Lucknow
CURRENT JOB: Engineer at NTPC, Delhi

"NTPC was offering roles in strategy, so I applied. PSUs, by and large, don't define roles as clearly"

For the Class of 2010, the stench of the slowdown has all but disappeared from campuses. Preferred recruiters are mostly back; so are multiple offers for students. Pay packets have swelled, though not to the levels of 2008. "Last year's sombre mood is a thing of the past. The placement scenario for 2010 is upbeat with improvements observed in various sectors of the Indian as well as the global economy," says N.S. Rajan, Partner, National Head and EMEIA Leader, People & Organisation, Ernst & Young. Where does that leave the class of 2009? Are they in for a long-lasting whammy in terms of careers and compensation?

The answer is yes if recruiters and placement watchers are to be believed. A majority of them believe the setback to the class of 2009 can last for years both in terms of job profiles and salaries earned. Says Kris Lakshmikanth, Founder CEO & Managing Director, The Head Hunters India: "As regards the 2009 pass outs, whether they are MBAS or engineers or MCAS, they are going to be at a disadvantage throughout their career. There will be exceptions, but in general this disadvantage will be for a life time for them." In fact, several MBAS of the class of 2009 are looking for a job change as they had taken up any job that came their way just to survive, he adds.

During his recent interactions with these grads, Uday Salunkhe, Director, Welingkar Institute of Management, Mumbai, realised that nearly a quarter of the 2009 grads have found a new job of their choice since leaving the institute. "Undoubtedly, the impact of last year is hurting them still. The only bonus they have got so far is in the form of lessons from harsh market conditions," he says.

Lower Earnings, Slower Growth

A student of Loyola Institute of Business Administration (LIBA), Chennai, Charanya Ragothaman, 24, learnt to work around her expectations pretty early in her career. During campus placements, she got a good salary offer from a top public sector bank and was told that she would get a core finance job, which was what she wanted. Salary levels were around Rs 8 lakh

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Thavaseelan K., 24 (extreme left)
PASSED OUT IN 2009 FROM: IIM Ahmedabad
CURRENT JOB: Derivatives Trader at Jaypee Capital Services, Mumbai

"No investment banks came and a handful of consultancies could offer only a limited number of jobs"

a year. But when she finally got the letter, she found that she got a profile related to dealing with small and medium enterprises (SMEs), which was not very clearly spelt out. There was an element of "finance" that was involved but she felt that the work would be more broad-based and not restricted to the sector she wanted.

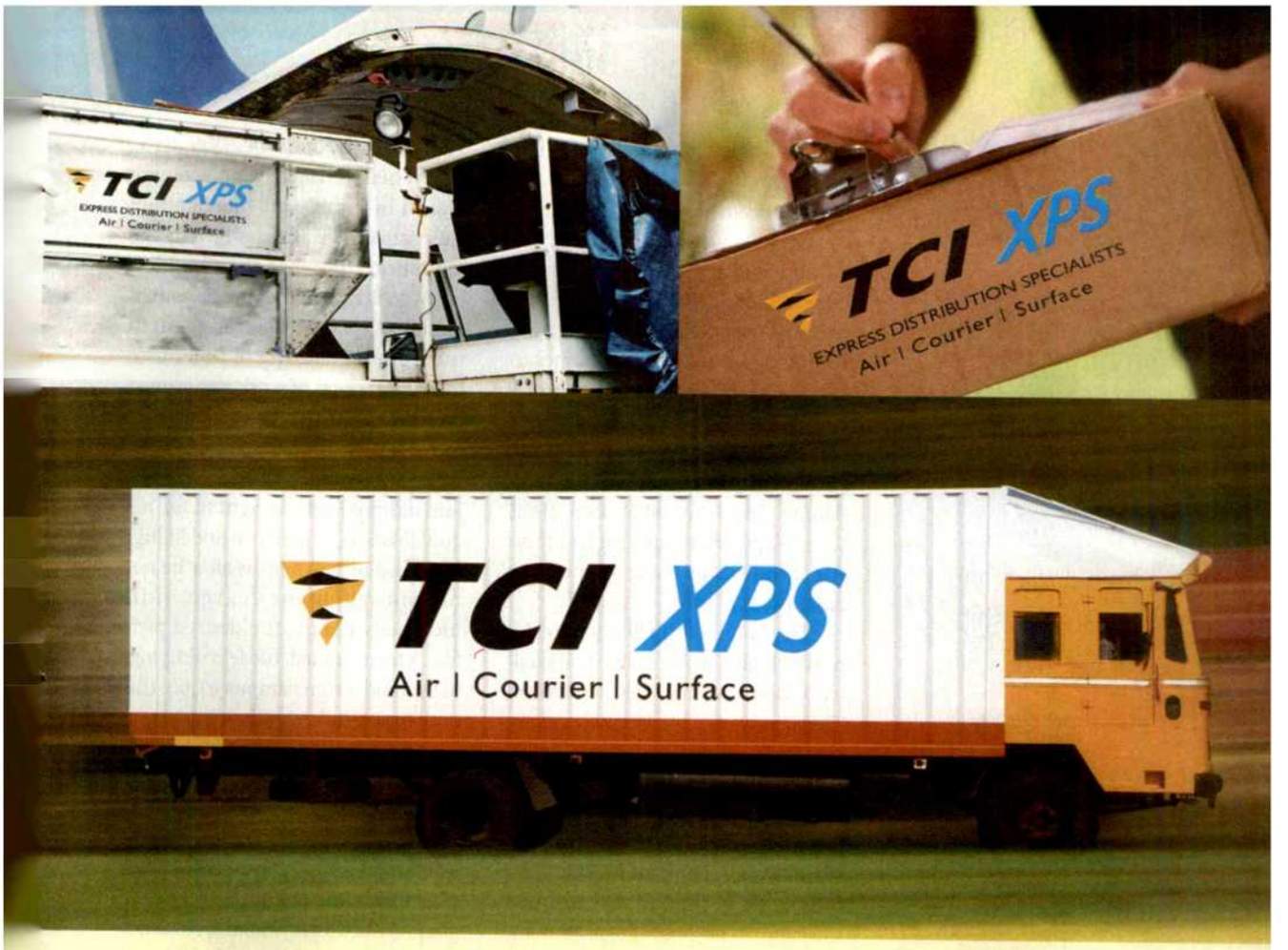
Instead, she opted to work with a chartered accountancy firm PKF Sridhar & Santhanam—known in Chennai, but definitely not having the national profile of the banking behemoth. However, Ragothaman got the hard core finance job she wanted, is working on several different projects and is finding the work quite challenging and stimulating. The "cost to the company" package is 25 per cent less—but Ragothaman says that she had to compromise on this if she was particular about what she wanted. "In a smaller firm I get a great deal more exposure to different kinds of activities relating to finance; in a bigger CA firm I don't know if I can enjoy such leeway; while I don't know what I'd have got in the bank offer," she says.

Vikram Sunderraj, 26, also from LIBA, was not as lucky. He had done an internship with Ogilvy & Mather (O&M) and was also offered a job with it in November 2008. But in February 2009, O&M sent a regret letter saying that it was freezing new appointments. He desperately wanted the brand name of O&M and work that was broadbased and wanted to be "respected and recognised" for what he thought he could bring to the table.

Instead, the slowdown forced him to join a small boutique advertising company at a salary of Rs 12,000 a month. "Here I am doing the work that my B. Com colleagues are doing, which calls for no application of MBA skills and, where there is little freedom to demonstrate what else can be done," he says. Chastened by this experience, Vikram is looking for other job options and he is not insisting on the advertising industry either. "I only want a place where I can put into use what I have learnt and also be compensated well," he says.

Aspiration Climbdown

And that's easier said than done. Recruiters are of the opinion that starting out in a job that's not in tandem with qualifications can



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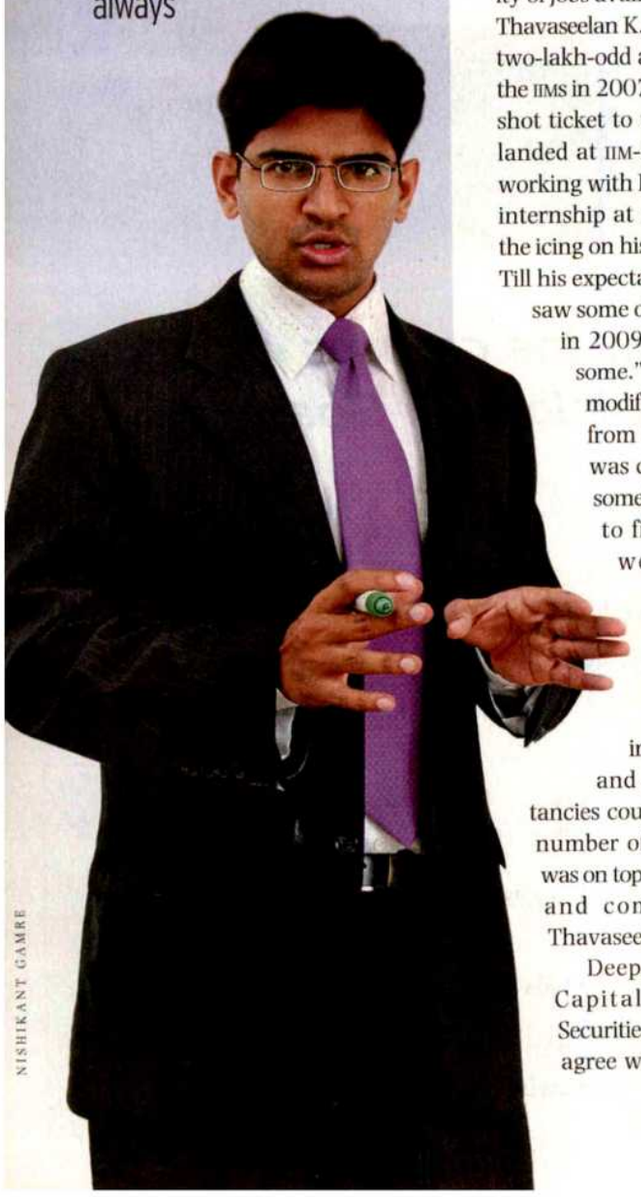
Krishna Kumar, 25
PASSED OUT IN 2009 FROM: IIM Ahmedabad
CURRENT JOB: Owns a start-up in Hyderabad

"I am better placed than most. Entrepreneurship was top of my mind, always"



NISHIKANT GAMRE

potentially mar career growth. While no research is forthcoming on the impact of slowdowns on long-term careers, recruiters offer some insights. Lakshmikanth recounts his experience with the grads of 2002 when the dotcom bust and 9/11 had destroyed technology jobs. "When it comes to people who had passed out in 2002, the clients double check on the veracity of the experience certificate produced by the candidate," he says adding, "we have often seen 2002 technology grads earning less than the candidates from successive batches even now."

The batch of 2009 witnessed a major climbdown in calibre and quality of jobs available. Take the case of Thavaseelan K., 24, who was among two-lakh-odd aspirants for a seat at the IIMs in 2007. And he got his sure-shot ticket to upward mobility. He landed at IIM-A with the dream of working with Lehman Brothers. An internship at HSBC Global was just the icing on his upbeat expectations. Till his expectations crumbled. "We saw some of our seniors lose jobs in 2009 and that was worrisome." What followed was a modification in expectations from his job. Thavaseelan was clear he wanted to do something that was related to finance. He opted to work with first time recruiter Jaypee Capital Services, a diversified financial services group in Mumbai. "No investment banks came and a handful of consultancies could offer only a limited number of jobs. Jaypee Capital was on top, both in terms of profile and compensation," says Thavaseelan.

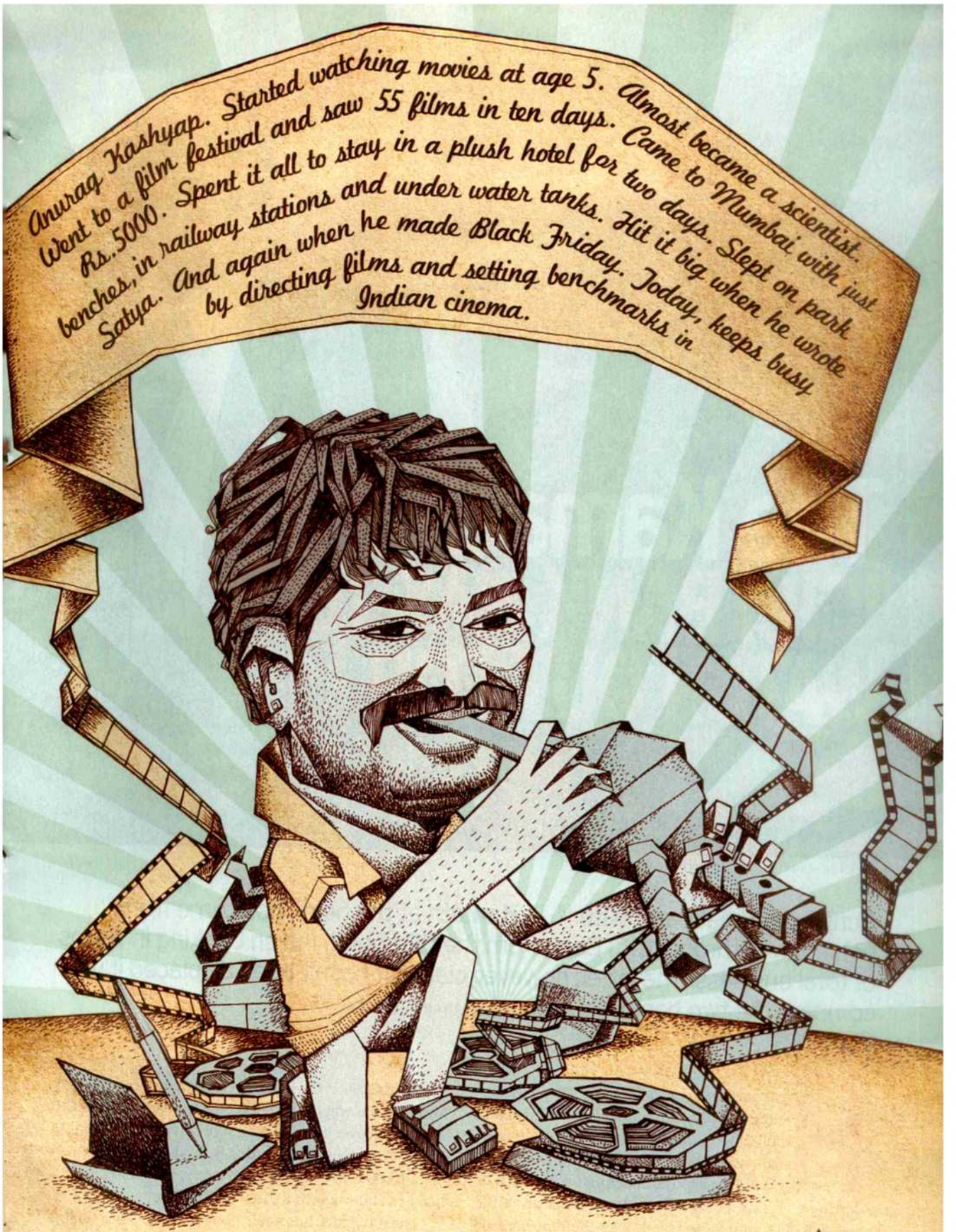
Deepak Jain, AVP, Equity Capital Markets at Enam Securities in Mumbai, could not agree with Thava more. Jain, 28, is from the batch of 2009 at ISB, which had its worst ever placement season in 2009. Students like Jain felt completely short-changed by the job market because they had left cushy jobs to arm themselves with a qualification that will lead them to their dream careers. "I had more than four years of work experience before ISB. It's just that I wanted to move from corporate strategy to investment banking." At the campus, Jain did not find the right fit for his qualification, experience and liking. Two-and-a-half months after he got his management degree, Jain ultimately did get the desired profile. "Once I joined, the learning has been good. From campus to job, the time took a toll everyday."

The tough job market had its upside, too. Some grads decisively opted out of placements and went ahead with their own ventures. IIM-A's Krishna Kumar, 25, opted out of placements, but made a career out of placements with an initial investment of Rs 9 lakh raised from family and friends. His startup iQuisitive Edu and Placements prepares students for placements. "In my first year at IIM-A, I was part of the race to get the best job, but by next year entrepreneurship was top of my mind," he says. There is complete autonomy, potential is high and money will follow, he adds. His entrepreneur streak proved to be a blessing. "I am better placed in retrospect. A lot of my friends tell me they are stuck in unwanted jobs."

The Dean of ISB, Ajit Rangnekar, offers hope to the Class of 2009. "In the longer term, say five years, there is no difference whatsoever between classes. Depending on the economy when they graduated, students may be slightly better or worse off than the previous class, but the market ensures equilibrium over time."

That's clearly a ray of hope for the class of 2009. ⊙

ADDITIONAL REPORTING BY NITYA VARADARAJAN



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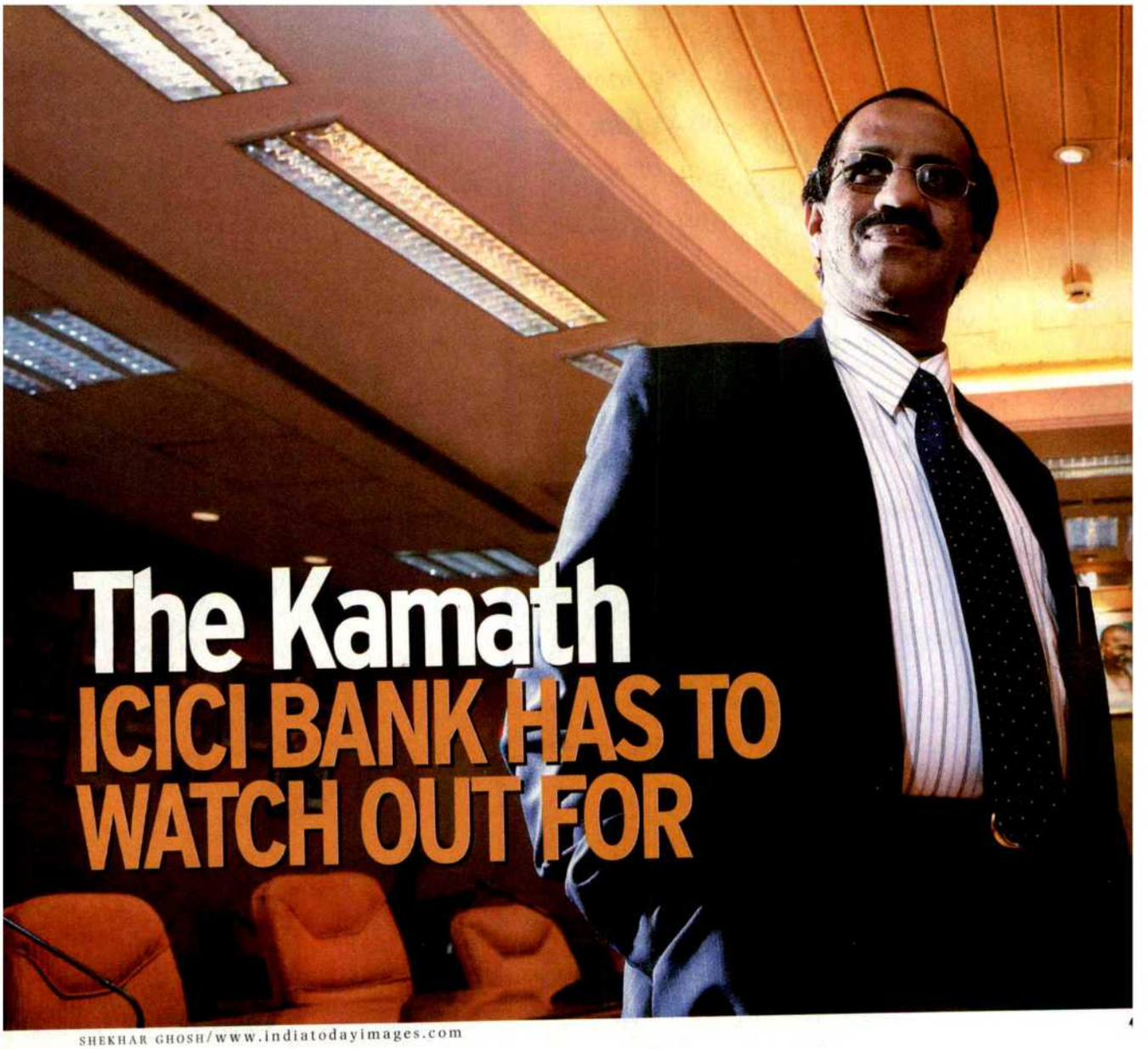


The Kamath ICICI BANK HAS TO WATCH OUT FOR

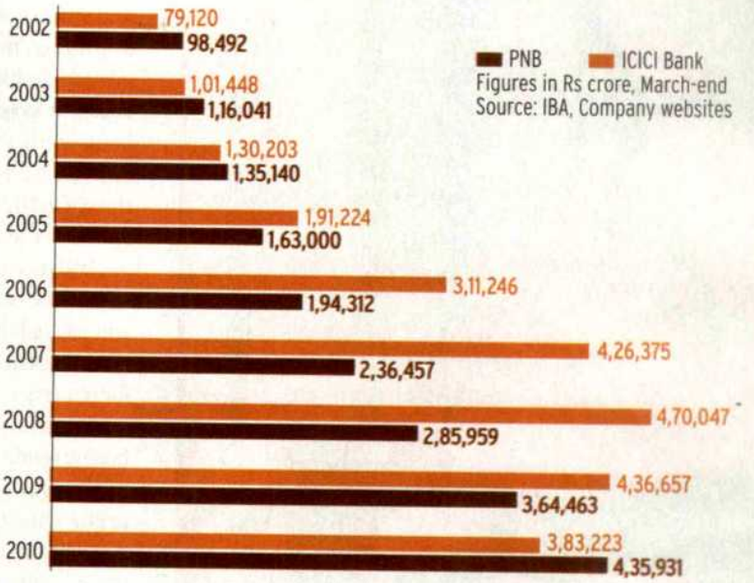
SHEKHAR GHOSH/www.indiatodayimages.com

Punjab National Bank, with K. R. Kamath at the helm, has come from behind to dethrone ICICI Bank from the #2 spot in Indian banking in terms of total business. The latter, however, claims it hasn't been displaced if you compare the two banks' total assets. ANAND ADHIKARI

He calls himself the "navigator". The vehicle, he says, is ready, the co-travellers are on board and the destination is predetermined. "I only look at the book and drive," he grins. The book Kasargod Ramachandra Kamath is referring to is that of Punjab National Bank (PNB), till recently India's third-largest bank, after the State Bank of India (SBI) and ICICI Bank. If Kamath—who took over as Chairman and Managing Director of PNB in October last year and, at 54, is the youngest chief of a public sector bank (PSB)—has his way, he would like to see that book grow 20-25 per cent over the next three years. By 2013, he aims to drive PNB to a total business (that is, deposits plus advances) of Rs 10,00,000 crore (ten lakh crore). SBI, as of 2009-10, had a business worth Rs 14,36,020 crore.

The navigator has made good progress since taking over and, by March 31, 2010, PNB had driven past the former #2, ICICI Bank—at least on the total banking

PNB Scores Over ICICI Bank on Deposits & Loans...



GRAPHICS BY KULDEEP

"We will definitely go after growth... but we will not sacrifice profitability just to reach some number"

K. R. Kamath, CMD, Punjab National Bank

business front (see graphic above).

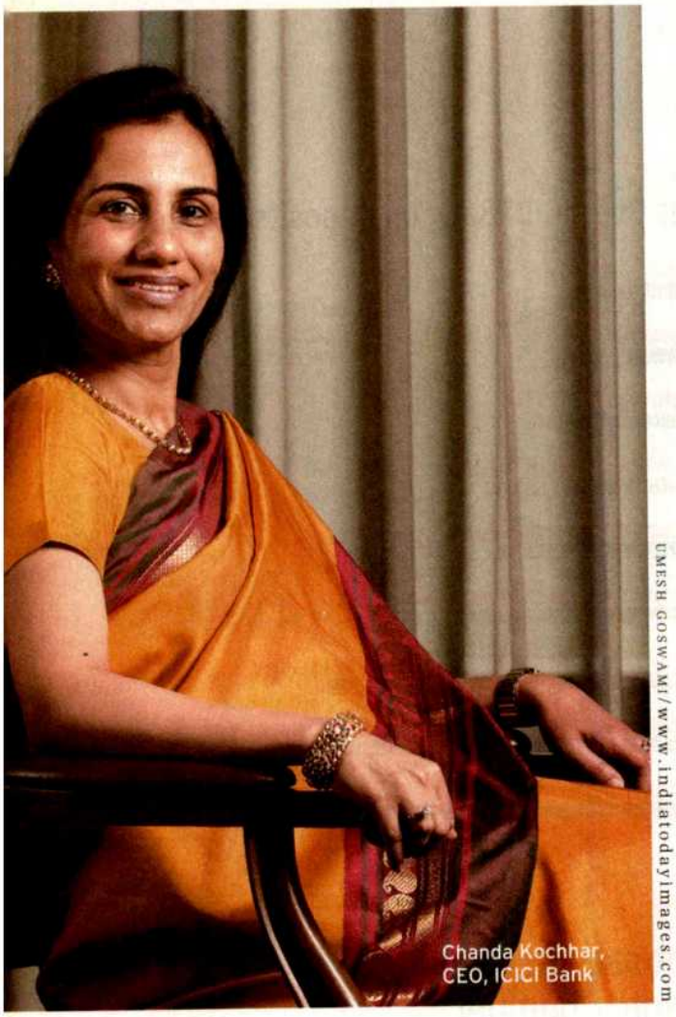
In many ways, Kamath finds himself in a position that's not too different from the one his namesake Kundapur Vaman Kamath was, early in the decade. Just as K.V. Kamath, as Managing Director and CEO of ICICI Bank (he's now Non Executive Chairman) was gunning for growth, Punjab National Bank's Kamath, too, is looking to build volumes and gain in size.

"We will definitely go after it (growth)," avers Kamath. But he's quick to add: "We will not sacrifice profitability just to reach some number."

So how significant is PNB's lead of a little over Rs 52,000 crore in total business? Kamath is not celebrating publicly but it's clear that the #2 position means a lot for him and the bank. "I am very much excited by our performance rather than by comparisons," says Kamath, who was Chairman and MD of Allahabad Bank before he took over at PNB.

The #2 position means a lot to ICICI Bank, too—which is why it refuses to accept that it's been relegated to third spot. The largest private sector bank, which has 48-year-old Chanda Kochhar at the helm, was quick to put out a terse reply to challenge PNB's claim. "ICICI Bank continues to be the second-largest bank in the country by assets," says a company spokesperson, adding that ranking by assets (which, for a bank, is mostly the money it has lent out) than by total business makes more sense in today's business environment. The bank refused to participate in this feature.

For PNB, second place is a place it's enjoyed for most of the 30 years of its existence post-nationalisation. Until October 24, 2001 when ICICI Bank, then a fledgling private sector bank, merged ICICI, the gigantic development financial institution, into it. For the next two years (2002



Chanda Kochhar, CEO, ICICI Bank

UMESH GOSWAMI/www.indiatodayimages.com

The ICICI Bank head has predicted a 15-20 per cent growth in assets this year, enough to keep it ahead of PNB for some more time.

and 2003), PNB managed to keep a nose-length ahead on the business front. But, by 2005, fuelled by its CEO's growth ambitions in the consumer banking arena, ICICI Bank cut loose to break away from the Delhi-headquartered bank (with a total business of Rs 1.91 lakh crore against PNB's Rs 1.63 lakh crore). The gap kept growing, and was the widest in 2008, when ICICI Bank had a book of Rs 4.7 lakh crore against PNB's Rs 2.86 crore.

PNB tried plenty to catch up. In 2003, the 24th chairman of the bank, S.S Kohli, acquired one of Kerala's old private sector banks, Nedungadi Bank. More recently, PNB also courted Delhi-based development financial institution IFCI for a merger, but that didn't work out.

If PNB has been able to come close to ICICI Bank on the business side, that's because its phenomenal growth push in the past two years coincided with the global credit crisis that compelled ICICI Bank to withdraw into consolidation mode by shrinking its balance sheet. Even as PNB's business grew by 52 per cent over the past two years, ICICI Bank's shrunk by 18 per cent as it began reducing its exposure to unsecured loans and credit cards, two areas where non-performing assets were rising.

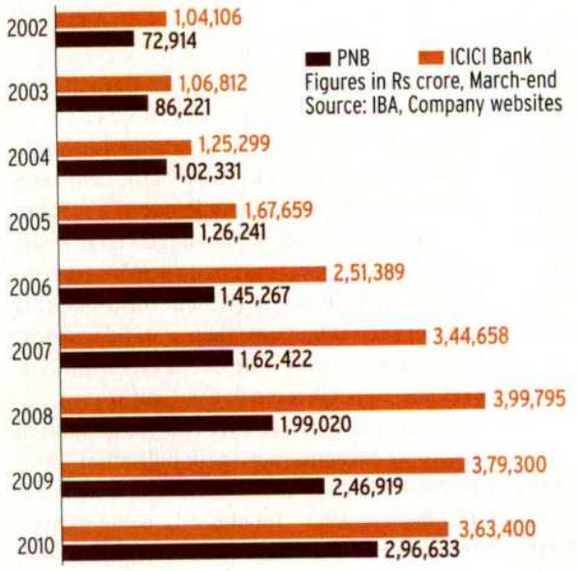
Critics of PNB love to point out that its sudden emergence is largely because of the flight of deposits as well as retail lending from private sector banks (which charge, or at least are perceived to charge, higher interest rates) to public sector banks (PSBS) during the financial crisis. The advocates of PSBS, however, counter that a bank's fundamental objective is to provide safety and security to depositors, and if the PSBS have succeeded in building such an image, they're obviously doing something right.

The Assets Debate: Who is the Real #2?

On the assets front, ICICI Bank is still comfortably ahead (see graphic on left), although here too, the past two years have seen a de-growth of 10 per cent, against a smart 50 per cent spurt in the assets of PNB. In the year-ended March 31, 2010, Punjab National Bank's total assets grew by a snappy 20 per cent to Rs 2,96,633 crore. ICICI Bank saw a deceleration of close to four per cent to Rs 3,63,400 crore over the same period.

What should help ICICI CEO Kochhar, though, is the recently-announced merger with Bank of Rajasthan, whose 463 branches can be used to help ICICI Bank increase

...But ICICI Bank Rules on the Assets Front



its share of current account, savings account (CASA) deposits, which are lower-cost deposits (in contrast to higher-cost bulk deposits). On the business front too, the amalgamation of Bank of Rajasthan will bring a cool Rs 23,000 crore into the ICICI Bank kitty.

So, to get back to the argument, who is the real #2? Or, rather, should it be total business, or total assets, that determines the winner? Or should it be some other parameters, like market value, total revenues, or net profits, or a combination of all these?

To be sure, it's pretty much a mixed bag when you bring in other parameters. Consider top line, for instance, where ICICI Bank is ahead by some Rs 4,000 crore, at Rs 25,706 crore. In terms of absolute net profits too, it pips PNB at the post, with a bottom line of a little over Rs 4,000 crore (PNB's net profit is lower by around Rs 100 crore).

Sheer profitability, however, is a different story, with

HEAD-TO-HEAD

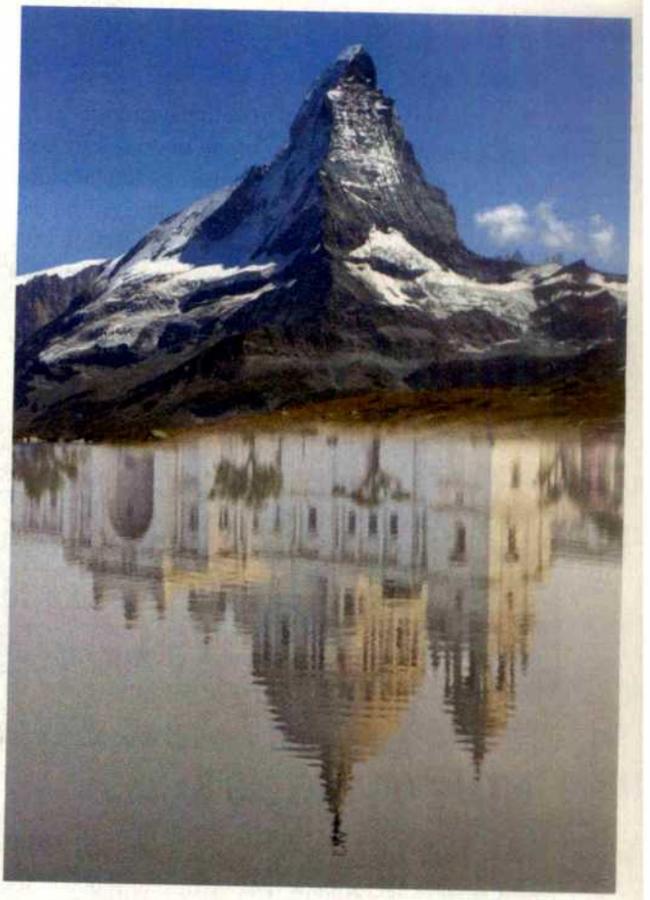
How the two banks compare on other parameters.

Parameter	ICICI Bank	PNB
Revenues	25,706	21,466
Net profit	4,024	3,905
Net interest margin	2.5%	3.5%
Market cap*	1,00,580	31,560
Net NPA	1.87%	0.53%
Capital adequacy ratio	19.4%	14.16%
Earnings per share	Rs 36	Rs 123

All figures are for year-ended March 31, 2010 and in Rs cr unless specified
Figures are standalone for ICICI Bank
Market cap as on May 17

PNB's net interest margin, or NIM, at an impressive 3.5 per cent. The norm for NIM—an indicator of how profitable a bank is—for Indian banks is 2.0-2.5 per cent, and ICICI Bank's NIM is closer to that norm, at 2.6 per cent. On the efficiency front, too, PNB emerges trumps with one of the lowest cost to income ratios of just under 40 per cent (the corresponding figure for ICICI Bank is 42 per cent).

In terms of returns to long-term investors, PNB is the winner, with the stock appreciating 195 per cent over the past five years. ICICI Bank's stock gained 95 per cent over the same period. PNB's per share earnings are also distinctly superior to those of ICICI Bank (Rs 144 as against Rs 36). From the customer point of view, PNB has the second-largest network in the country, with 4,670 branches, more than double ICICI Bank's reach. Of course, ICICI Bank will gain some more branches once the merger with Bank of Rajasthan is formalised and it also reaches out



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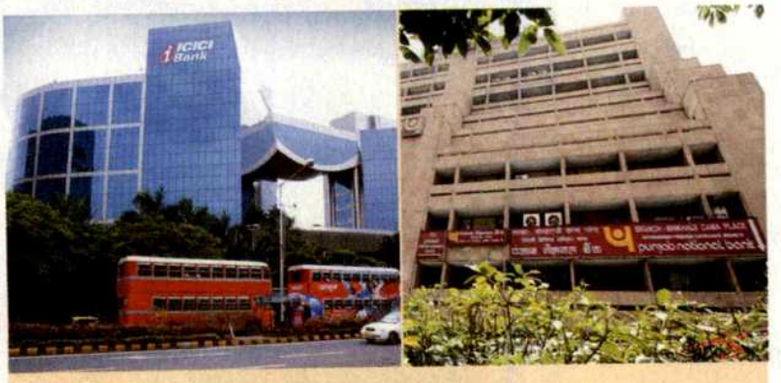
The comparisons can go on and on, but may be a bit futile after a point. That's because at a fundamental level, ICICI Bank and PNB are two very different banks. ICICI Bank has positioned itself has a universal bank with arms that straddle insurance (life and non-life), mutual funds, private equity and securities. PNB, on the other hand, is virtually a pure banking play that revolves around corporate banking. ICICI Bank, which is just 16-years-young, has for most of its life had an urban focus with the target client being the upwardly mobile city-slicker. PNB, like any true public sector bank, has had a semi-urban and rural focus, with farmers and lower income groups being key customer bases.

Both banks have carved out dissimilar growth paths. ICICI Bank is largely a story of inorganic growth, right from the merger of ICICI Ltd in 2001, to the acquisitions of Bank of Madura, Sangli Bank and last fortnight Bank of Rajasthan. PNB, for its part, is a virtual pure organic play, with small-sized Negungadi Bank being its only acquisition. Also, ICICI Bank has been conscious of developing an international profile, with 25 per cent of its book coming from overseas markets.



A TALE OF TWO BIG BANKS

ICICI Bank	Punjab National Bank
A private sector bank that gained scale after a reverse merger with a development financial institution.	A public sector bank with a history that dates back to 1895.
A universal bank with interests in life insurance, non-life insurance, mutual funds, private equity and securities.	A pure banking play with a large presence in corporate banking.
An urban-centric bank with a strong brand image.	A semi-urban and rural-focussed bank with a focus on agri and lower income groups.
A network of over 2,000 branches.	Branch network of 4,670, second only to SBI.
In consolidation mode after the financial meltdown.	In growth mode with a focus on retail and corporate clients.
A young workforce, with some 26 per cent of the staff being women.	HR profile similar to that of most PSBs.

For PNB, overseas operations account for less than three per cent of the book. "There is a fundamental difference between a private sector bank and a public sector bank, the latter perhaps playing a larger role on fronts like priority sector lending," says Vinod Wadhwani, Director, Ambit Corporate Finance Ltd.

Who is the real #2, therefore, depends on which lens you look through. Says D. Ravishankar, Director at credit ratings agency Brickworks Ratings India Ltd: "If you consider both banks as pure banking plays, PNB scores because of the higher quantum of its total business." And then there's the other perspective: "In a more mature universal banking model, one can argue that total business may have limited relevance and total assets could be a more correct depiction of the size of the bank," points out Wadhwani.

Even if total business is the way to go, one swallow does not make a summer; PNB will have to hang on to its lead in the years to come, even as it goes after ICICI Bank on the assets front, too. ICICI Bank's Kochhar has projected a 15-20 per cent growth in assets the current year, which, if achieved, may keep it ahead of PNB some more time.

But then, the beauty about rankings is that they're rarely permanent. Globally, for instance, the world's largest bank in terms of assets, Royal Bank of Scotland, is threatened by BNP Paribas. Similarly, the Chinese bank Industrial & Commercial Bank of China has displaced marquee names like Citi, JP Morgan and Bank of America in terms of market capitalisation. Whichever parameter you use, at the end of the day it's performance that matters—and that takes care of the rankings and comparisons. ⊙

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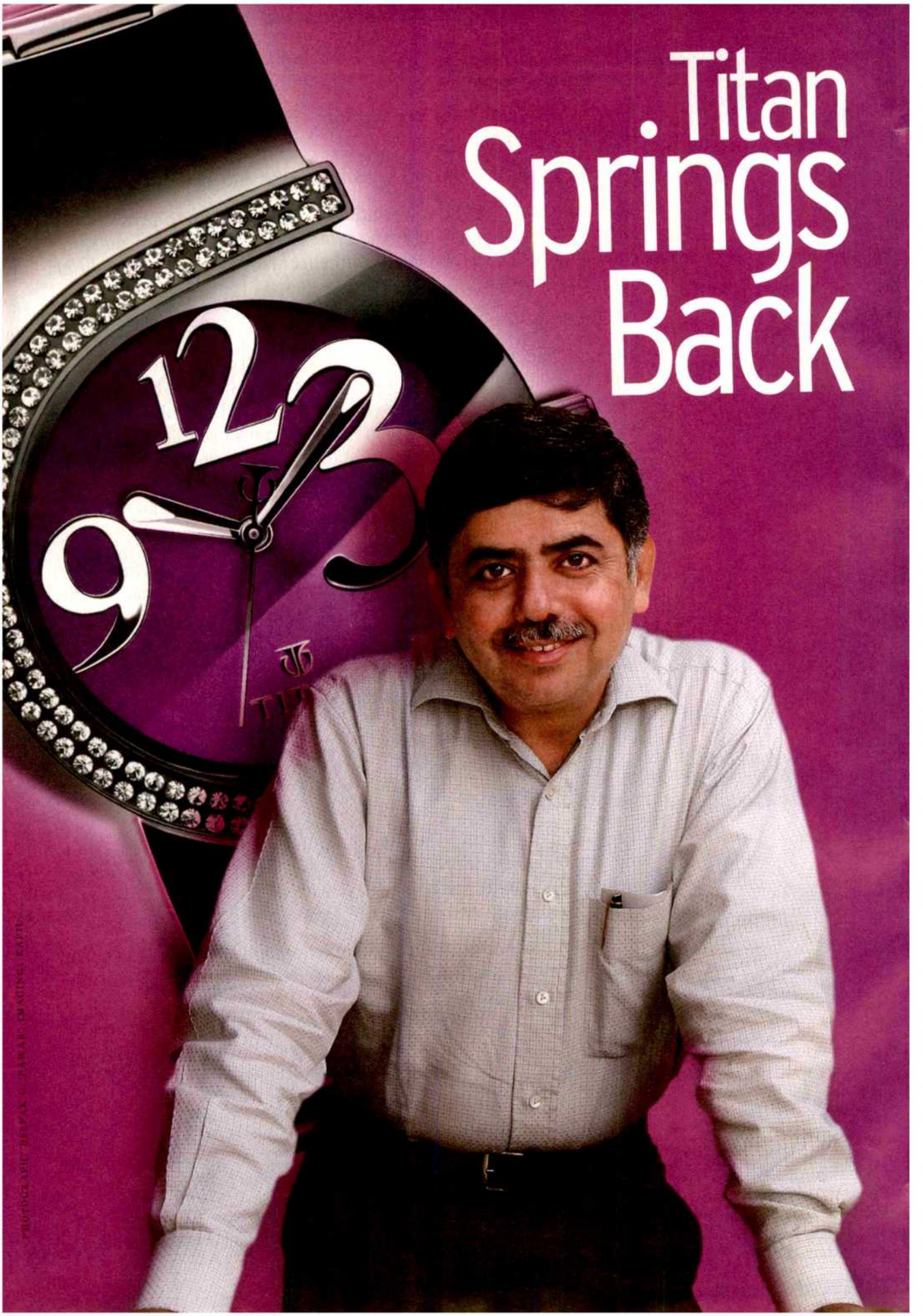

Titan
Springs
Back

India's largest watchmaker was buffeted by the slowdown for the last two years. Now the company thinks it's back on track and plans to be a $2.5-billion firm by 2014. Here's how.

RAHUL SACHITANAND

Centered on the themes of Zen, nature and yoga, the Tanishq store in Schaumburg, a suburb of Chicago, US, was meant to be Titan Industries' shot at the $60-billion US jewellery market. But after a few months of acclaim for its customer-friendly layout and competitive prices, this store—and another one in New Jersey—had to shut down.

Titan was not at fault: who was to know then that an August 2008 store opening would spell disaster?

Titan's US plans (another 25 Tanishq stores) collapsed as the global financial meltdown bit into consumer spending in the world's biggest economy. Suddenly, India's largest watchmaker and speciality retailer was scrambling to prevent a collapse even back home after years of rapid growth. Watches, jewellery and eyewear—every business that Titan had entered got bogged down.

But a year later, after three consecutive quarters of declining revenues, Titan is back on the growth track, with revenues growing 22.2 per cent to top $1 billion for the first time. As the economy recovers, Titan has set itself a new target: $2.5 billion in revenues by 2014.

The optimism is based on hard facts: In the fourth quarter of fiscal 2009-10, Titan Industries reported a revenue growth of nearly 49 per cent year-on-year, while operating margins rose to 7.7 per cent overall. "The slowdown was only a temporary fall in growth for us and we saw no negative growth in any of our businesses," says Bhaskar Bhat, Titan's Managing Director.

But Bhat, having seen the growth rate of 15-20 per cent halved, is not taking any chances. So the company's back to the drawing board, the Design Studio at its Bangalore headquarters. Designers are trying out new materials, re-inventing long-forgotten brands and even figuring out branded prescription eyewear, Titan's latest initiative.

Distant Vision

Titan had expected to have a nationwide chain of 150-160 Eye+ stores, as it calls its prescription eyewear business, by this year. Again, while the March 2007 launch went off fine, there was trouble down the road. So today it has just 80 Eye+ stores, each only 500-1,000 sq.ft. against the 1,500-2,000 sq.ft. initially planned. But its sights are focussed on some good numbers.

"There are 300 million people in India who require vision correction, and we're perhaps the largest prescription eyewear firm around, with some 25 brands under one roof," claims Ravi Kant, COO, Eye Wear, Titan. Echoes

"The slowdown was only a temporary fall in growth for us and we saw no negative growth in any of our businesses"
Bhaskar Bhat, Managing Director, Titan

Bhat, the MD: "We think sales for eyewear can grow 20-25 per cent per year." Insiders say eyewear fetches Rs 96 crore, a fraction of Titan's revenues (Titan does not officially disclose numbers for this business separately).

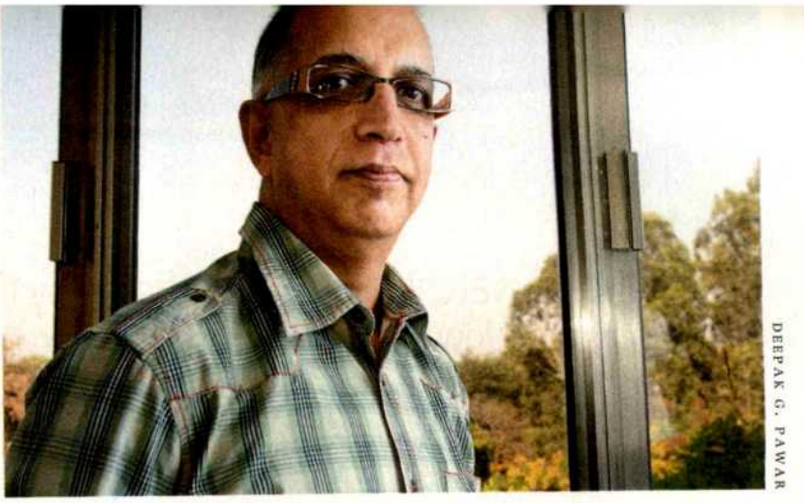
Kant is using lessons from the watches business by positioning prescription eyewear as fashion accessories, rather than plain old spectacles. The Eye+ stores package the services of an optometrist, spectacle frames priced at Rs 500-30,000 a piece, and even the lenses. "Eighty per cent of the market is dominated by unorganised players and smaller chains," says Kant. "Our challenge is to woo these customers away from this segment."

Going for Gold

Then there's jewellery, which has come to account for over 70 per cent of Titan's revenues. The business was battered not just by the slowdown but by wild fluctuations in gold prices last year. However, in the last three-four months, gold prices have stabilised somewhat.

According to C.K. Venkatraman, COO of Tanishq, the accent has been on improving the selling capabilities of its store executives to lure people away from traditional jewellers. "We want to focus on studded (diamond) jewellery, which has three times the margins of conventional gold jewellery," says Bhat.

Analysts say Titan has many things working in its favour at Tanishq. The business has "unparalleled brand equity and excellence in execution and strategy," wrote analysts Sanjay Singh and Pratik Biyani at ICICI Securities, who have initiated coverage on Titan Industries, with a target price of Rs 2,576, a premium of at least one-sixth over the share price on the BSE in mid-May. "Increased focus on high-margin studded jewellery and higher operating leverage are expected to improve margins—we expect PBIT in jewellery to report a strong 39 per cent" compound annual growth between FY10 and FY12. PBIT refers to profit before interest and tax.



DEEPAK G. PAWAR

"Jewellery is a Rs 80,000-crore industry and the organised sector accounts for less than 4 per cent, so we have plenty of scope for rapid growth"

C.K. Venkatraman, COO, Tanishq

With gold quality getting standardised, workmanship improving and jewellery makers chasing consumers to large-format retail stores, Tanishq is not alone offering such attractions: there's Rajesh Exports, India's largest gold-jewellery maker, and brands such as Gili, Asmi and Nakshatra.

Some of the improvement in margins may come from Titan's new Zoya premium jewellery outlets, with one store each in Delhi and Mumbai and a further six planned in three years.

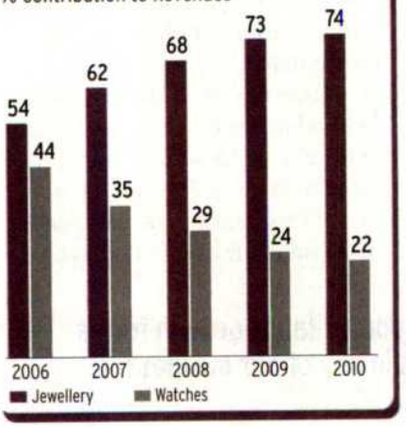
"The jewellery segment also witnessed a surge in PBIT margins by around 350 basis points to 9.3 per cent on a y-o-y basis," says an Angel Securities research note. For Tanishq, the biggest threat will perhaps come from Rajesh Exports, which acquired Oyzterbay four years ago and, after a lull, is once again expanding.

At the other end, Titan has its Gold Plus stores to meet the plain-vanilla gold jewellery needs of semi-urban and rural buyers, who account for 60 per cent of the total jewellery market.

Tanishq is also trying to steer away from the seasonality of wedding and festive jewellery, with new ranges such as Blush for young adults. "This is a Rs 80,000-crore industry and the organised sector accounts for less than 4 per cent, so we have scope for rapid growth," says Venkatraman.

Jewellery has become the biggest contributor to revenues

% Contribution to Revenues



Here a Brand, There a Brand...

Titan has become synonymous with watches, having captured 60 per cent of the organised market. But competition is increasing, and there are 60 brands today just in this segment, which itself is a sliver of India's total watch market of 46 million units a year.

Claims V.D. Wadhwa,

A little time, a lot of joy.

The Complete Man

Raymond

SINCE 1925

The suit fabric is a cotton and wool blend from the **'Young Achievers'** *collection.*

R K SWAMY BBDO RL 20586 BT

Managing Director of Timex India, the second-largest in India's market: "We are technologically superior to Titan and we have products in both the premium and mid-market segments, which are growing the fastest."

Wadhwa does not see Titan's brand recall as an obstacle. "Titan may have better brand recall after 25 years in the Indian market, but with the recent launches of Ferragamo and Nautica in the premium market and at least two more brands likely to come from our global stable, we expect to strongly challenge Titan," he says.

By value, the organised sector accounts for 60 per cent of the watch industry. Titan is positioning itself in all the segments, right up from economy to youth, kids and luxury. It is already strong in the entry level with its Sonata range. "Half the watch buyers do so for the first time," says Titan watches COO Harish Bhat. "They buy Sonata for its reliability, range and design."

For the luxury segment, it is setting up a chain of multi-brand stores called Helios. The first outlet broke even in its first year and 10-15 additions are planned next year. "We grew this business 12 per cent last year at a time when the industry grew just 6 per cent," says Bhat of Titan watches. "We launched Helios a year ago and now we plan to have 14-15 outlets nationwide."

From just three brands five years ago (Titan, Sonata and Tanishq watches), it has around 10 brands, including its kids' watches label and Helios, today.

Brand consultant Harish Bijoor points out that Titan, starting with one strong mother brand, has successfully devised recognisable sub-brands to target viable niches. "In perhaps two years, it will need to revisit its brand portfolio and reconsider which are working for it and those that need to be wound down or re-energised," says Bijoor.

For now, Titan isn't holding back on its brand spend: it aims to spend over Rs 1,000 crore in the next five years on sales, marketing and branding. Perhaps, its most visible sub-brand is Fast Track, which has grown beyond watches to fashion accessories. The aim is to take the number of exclusive stores from 24 now to a 100 in a year.

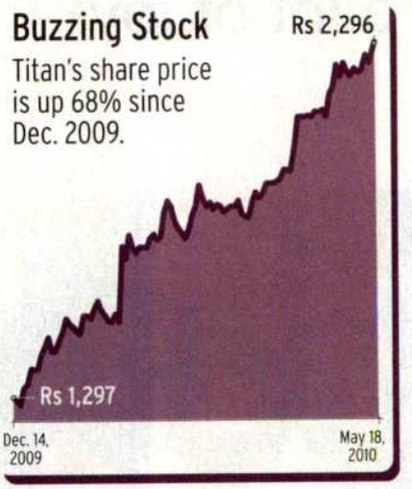
Analysts are bullish on Titan's strategy. Increase in penetration and the shift of buyers to branded watches will ensure a volume growth of at least 6-8 per cent, according to ICICI Securities. Watch sales and PBIT will expand annually at an average of 15.6 per cent and 16.6 per cent from fy10-12, it noted.

As the recovery gains strength, Titan is not forgetting its overseas market, which fetches it Rs 100 crore today from its presence in 26 countries. Bhat, the MD, claims it is among the top three brands in the Persian Gulf.

But, with the Chicago setback in mind, the overseas plans have been tweaked: rather than return to mature markets, Titan will focus on emerging markets, where brands and watch penetration is low, and because of the "sheer size of the opportunity".

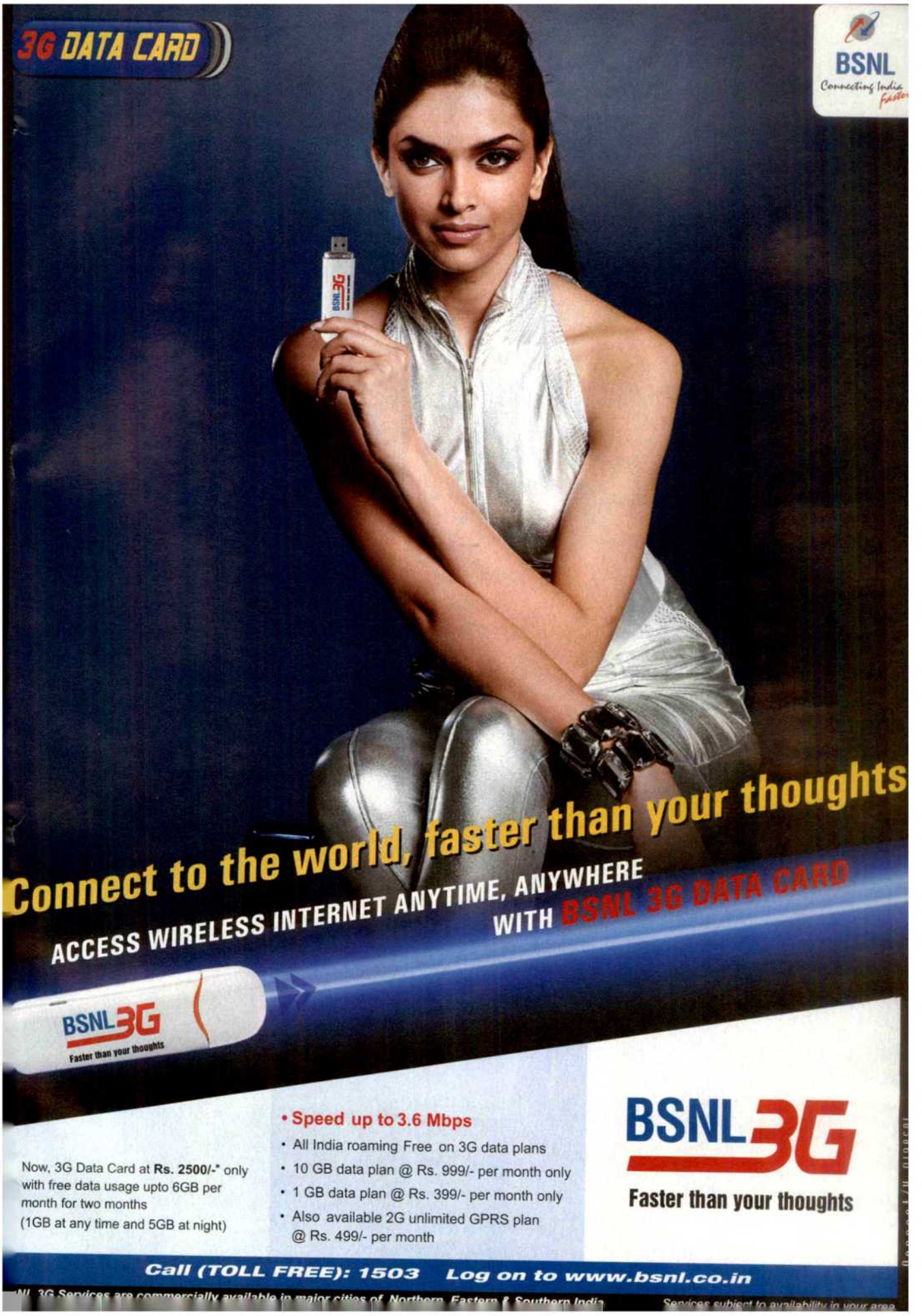
So the next step: South Africa, followed by its neighbours. It has had mixed luck in exports. While it slipped up in Dubai because of the global slowdown, it is still bullish on Yemen, Qatar and Saudi Arabia. At the same time, it is among the top five brands in Vietnam.

With all points of the compass covered in the watches business, and its jewellery brand facing a huge market, Titan seems better prepared for growth without hiccups this time. ⊙



"There are 300 million people in India who require vision correction, and we're perhaps the largest organised prescription eyewear firm around..." Ravi Kant, COO of Eye Wear, Titan

DEEPAK G. PAWAR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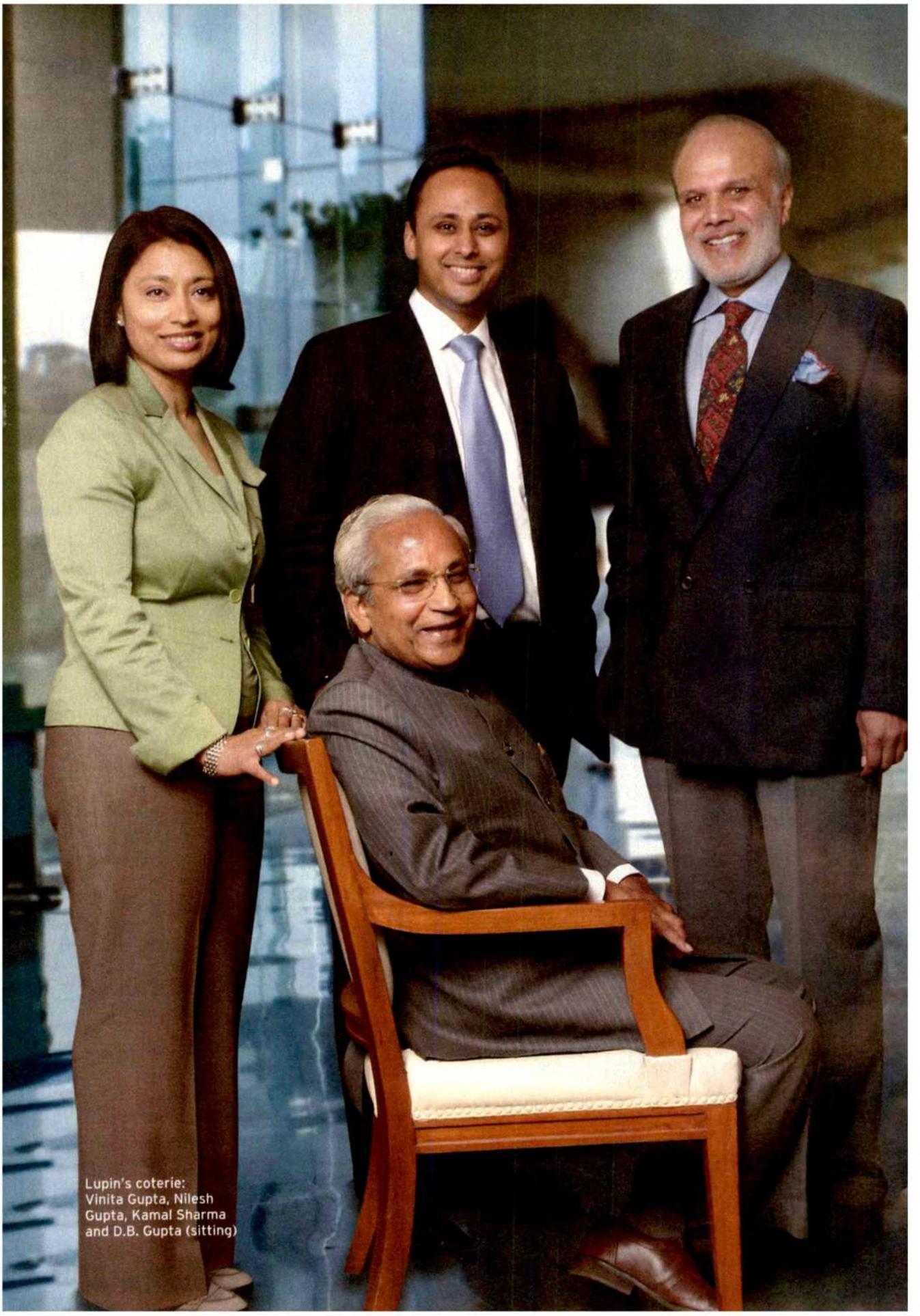


Lupin's coterie: Vinita Gupta, Nilesh Gupta, Kamal Sharma and D.B. Gupta (sitting)

Guru of Generics

For most of its 40 years, Lupin seemed to be just another Indian pharma company trying to make hay in the US generics market. Today, it is a global generics firm to reckon with, taking on giant Teva on the value-creation front. SUMAN LAYAK

At 71, Lupin Ltd Chairman Desh Bandhu Gupta still defers to his wife Manju when it comes to business decisions that involve both the mind and the soul. Having been the eldest among five siblings, Gupta—a chemistry professor—had never managed to save up any money till 1968. This was when he borrowed Rs 5,000 from his wife to start out on his own—and went on to build India's fourth-largest pharma company over the next 40 years.

Five years ago, when Lupin's anti-TB drug business (a mainstay of the company in the past; 36 per cent of sales in 2001)—turned unprofitable, Gupta turned to his wife for guidance. Lupin was the largest manufacturer of the anti-TB drugs in the world, and stopping production would have affected the global anti-TB efforts. Gupta recalls what his wife said: "*Hamari roti humhe mil rahi hai na?* (Aren't we earning enough otherwise to be able to sustain these losses?)" He adds: "There was no looking back and we are still the largest producer of anti-TB drugs in the world." Anti-TB bulk drugs contribute less than three per cent of sales today.

Indeed, family has always been paramount for Gupta—and on the

THE GROWTH R_x...

- Rich pipeline of generic drugs: More than 100 abbreviated new drug applications filed in the US
- Strategy of vertical integration—bulk drugs to brands
- Niche therapy focus—dermatology, anti-TB, oral contraceptives
- Geographically spread across the world with a presence in 70 countries
- Four country partners, over 20 in-licensing partners
- New focus on bio-similars or new versions of biopharmaceuticals

...AND THE OUTCOME

- Ranked the 8th largest generics player in the US
- The fastest growing top 10 generics player in the US in '09, for the second year running, growing at 51%
- 12 out of 25 generic products marketed in the US rank #1 by market share
- 22 out of 25 generic products in the US rank in the top 3 by market share
- India formulations business grew at 18 per cent
- Lupin's Japanese subsidiary, Kyowa, fetched Rs 534 crore in revenues, or 11% of Lupin's total

business front too. Daughter Vinita Gupta (41) and only son Nilesh Gupta (36) are the two of the five children of DBG (as he is known within Lupin) who are with the company. Vinita, married and settled in the US, spearheaded the company's push in that country, and is currently Group President & CEO Lupin Pharmaceuticals Inc. Nilesh, also Group President & Executive Director, has handled the research and development and supply chain out of India. He led the process of upgrading Lupin's production processes when the US FDA issued strictures against the company's Mandideep facility near Bhopal, Madhya Pradesh (in 2008-09). "We improved our systems and replicated them across the company," he says.

Family matters, but professionals are considered family too in Lupin. And that's manifest by the presence of Managing Director Kamal K. Sharma, (61), who took over at the helm in his second stint at Lupin seven years ago. That family-professional mix is working well in creating value for shareholders. In 2009-10, the scrip has jumped by 140 per cent, from Rs 675 to Rs 1,625, compared to the Bombay Stock Exchange's health care index that increased 85 per cent. After the company announced its annual results for 2009-10, with sales of Rs 4,740 crore and a net profit up 36 per cent to Rs 681 crore on the figure for the previous year, the Lupin scrip closed at Rs 1,820.30 on May 5. Such value creation is no flash in the pan. A Boston Consulting Group study on annualised shareholder returns by global generics companies had put Lupin at the top of the heap globally with returns of 29.9 per cent for August 2006-July 2009, ahead of the world's largest generics player Teva (18.45 per cent) of Israel and India's Glenmark (18 per cent).

Today, Lupin is threatening to catch up with industry leaders like Ranbaxy (now owned by Daiichi Sankyo), Dr Reddy's Laboratories, and Cipla.

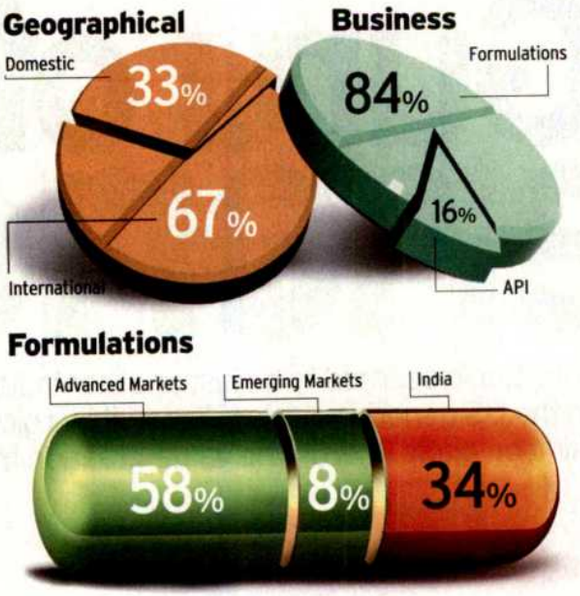
"Their US branded business is unique. Companies like Glenmark or Ranbaxy tried but failed to establish a brand there. Only Lupin has solid revenues (40 per cent of US sales) coming out of brands," says Raghavendra Kumar, a pharma analyst at ICICI Securities. "Lupin is trying the same strategy in Europe. They have cracked the $68-billion Japanese market (where the government is trying to popularise affordable generics) through an acquisition, which none of the Indian players have," he adds.

Lupin has also moved up the value chain, too. Bulk drugs, or ingredients that go into making medicines—what the company began with—accounted for only 16 per cent of revenues in 2009-10 against 55 per cent in 2004. As much as 49 per cent of Lupin's sales come from developed markets—the US, Europe and Japan. ICICI Securities expects Lupin's US revenues to double in two years. And formulations, the finished medicines, accounting for 84 per cent of the business, have 58 per cent of sales taking place in advanced markets. The branded part is significant as analysts value that portion at five times sales against three times sales for unbranded generics in the US.

As Lupin emerges as a fully-integrated drug manufacturer with a

THE REVENUE BREAK-UP

38% of Lupin's revenues come from the US and Europe.



ALANKAR

BREAKING AWAY FROM THE PACK

	Revenue (CAGR)	EBITDA (CAGR)	Adj PAT (CAGR)	RoE (FY10)	RoCE (FY10)
LUPIN	28%	26%	30%	34%	24%
DRL	20%	31%	48%	22%	24%
Cipla	15%	25%	20%	17%	20%
SUN PHARMACEUTICAL INDUSTRIES LTD.	11%	-7%	-5%	18%	15%
RANBAXY	5%	13%	-19%	5%	7%

Revenue, EBITDA and PAT growth numbers are for the period between FY08 and FY10; except Ranbaxy, which is for CY07-09

Source: Ambit Capital

ON TAKEOVER TRAIL

Lupin has spent $100 million on the Kyowa acquisition.

Acquired company	Month/Year	Holding country	Areas of operation
Multicare Pharmaceuticals Philippines Inc.	Mar. '09	The Philippines	Women's healthcare and child care segment
Pharma Dynamics	Sept. '08	South Africa	Cardiovascular therapy segment
Generic Health Pty Ltd.	Aug. '08	Australia	Marketing a wide range of quality generic prescription and OTC products
Hormosan Pharma GmbH	July '08	Germany	Central nervous system and cardiovascular therapeutic segments
Kyowa Pharmaceutical Industry Co. Ltd.	Oct. '07	Japan	Psychiatry and neurological, cardiovascular respiratory, and allergies and digestive therapeutic segments
Rubamin (rechristened Novodigm)	Sept. '07	India	Contract research and manufacturing services

strong formulations presence, it is also gaining size and scale. Lupin, which was seventh by sales in 2004, is now fourth based on 2009-10 results. By 2013, DBG wants Lupin to be a $3-billion company—or three times its current size. By 2018, he wants Lupin to be counted among the top pharma MNCs globally and wants a new-chemical entity to be licensed out by Lupin every year from 2013 onwards.

The ambitions are based on strategy. Over the past two years Lupin acquired six companies across the world, the largest being Kyowa in Japan for $100 million, and is now present in Japan, Australia and Europe. It has focussed on pediatric care, dermatology and ophthalmology. "Japan is the world's second-largest market, and is opening up to generics only now," Sharma, Lupin's MD, says.

The big breakthrough, though, has been in the US. Lupin has filed 105 ANDAs (abbreviated new drug applications) in the last five years for launching new generic drugs in the US. Of these, 35 applications have been approved (Lupin is still behind its peers in sheer numbers). Lupin is present in 25 segments in the US, of which it is #1 in 12, and among the top three in the rest, save one. It has identified another niche area—oral contraceptives—and filed 12 ANDAs in this category. As a follow-up, Lupin wants to acquire a company in South America as Brazil is the second-largest market for oral contraceptives after the US.

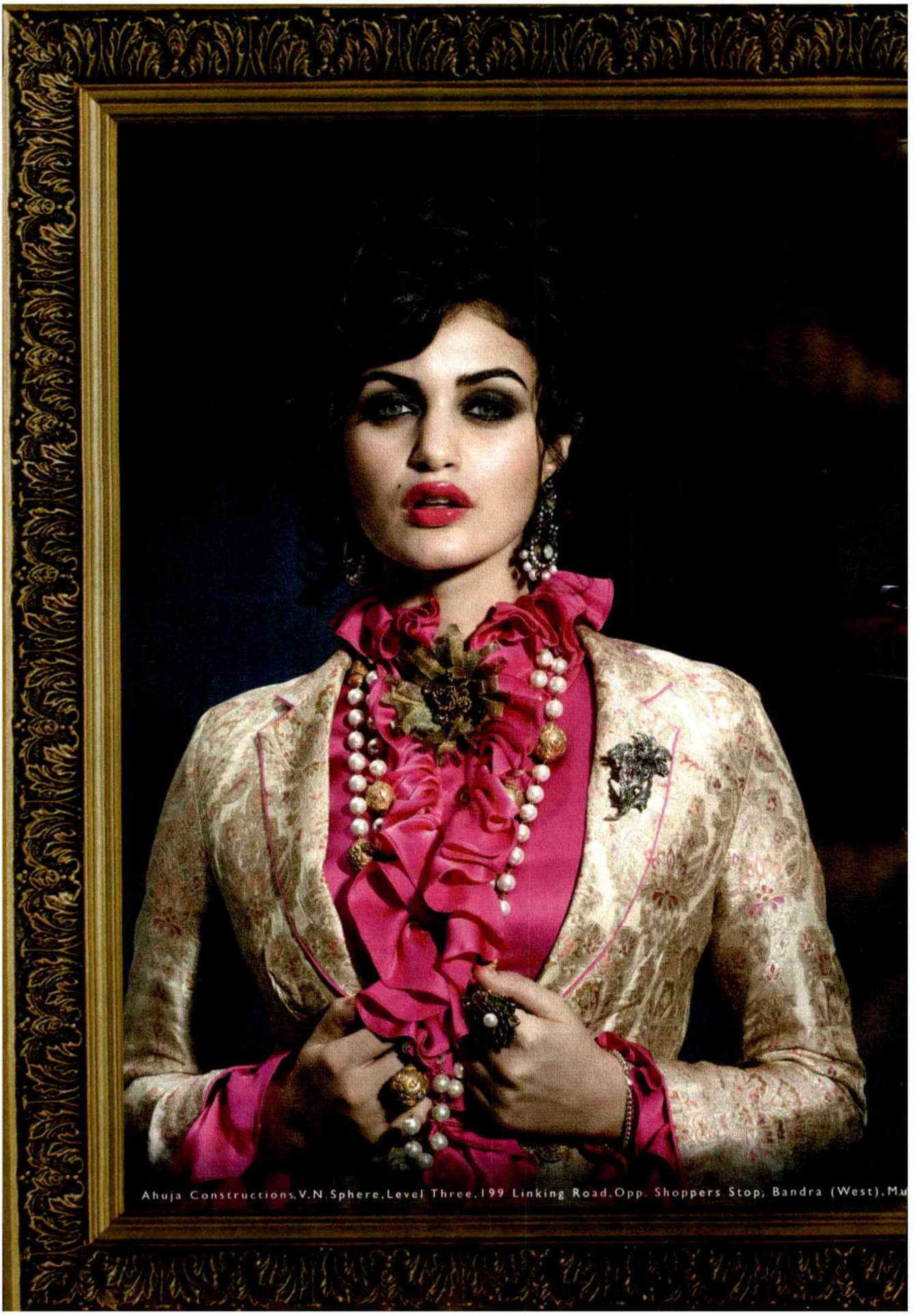
"In a regulated market like the US, it will be very difficult to replicate Lupin's success with brands. For an Indian company it will take decades, unless it buys a brand, which is again expensive," says Sujay Shetty, head of the pharmaceuticals practice at PricewaterhouseCoopers.

Lupin has been able to get its US act right with a judicious mix of patent challenges and buyouts. For instance, in 2004, when Wyeth pulled out Suprax, its brand of cefixime, an anti-infective (antibiotic), from the US market, Vinita and her team were contemplating a generic launch of the product. Instead, they decided to buy the licence for the brand, and relaunch Suprax. Reason for the shift: "It is difficult to make the bulk drug for Suprax, and we have ring-fenced the brand to protect our revenues," says Vinita. Today, it has a 170-stong sales team to push its brands (for generics it has a team of just four!).

Similarly, Lupin had challenged the patent to the brand Antara, a cholesterol drug, owned by Oscient Pharma. It was seeking a 180-day exclusivity period, which, if successful, would have allowed the company to make hay for six months. However, Lupin saw an even more lucrative opportunity unfolding—Oscient went bankrupt, and the Guptas were able to buy the drug at a firesale price of just half its annual sales last year.

In the midst of such nippy decision-making, where does the 71-year-old patriarch fit? DBG, for his part, is not ready to talk succession yet. "While the responsibilities of both Vinita and Nilesh will increase, there will still be enough to handle for Kamal (Sharma)," he says.

"There is a great deal of comfort between DBG and Sharma and I see no reason to change that," adds Nilesh. Both Vinita and Nilesh have been given board seats now. DBG still starts and ends his days with a swim. While he needs help from his personal assistants to button up his bandh-gala coat, the mind of this former professor of chemistry from Rajasthan is doing laps across the globe, plotting the contours of the next acquisition. ⊙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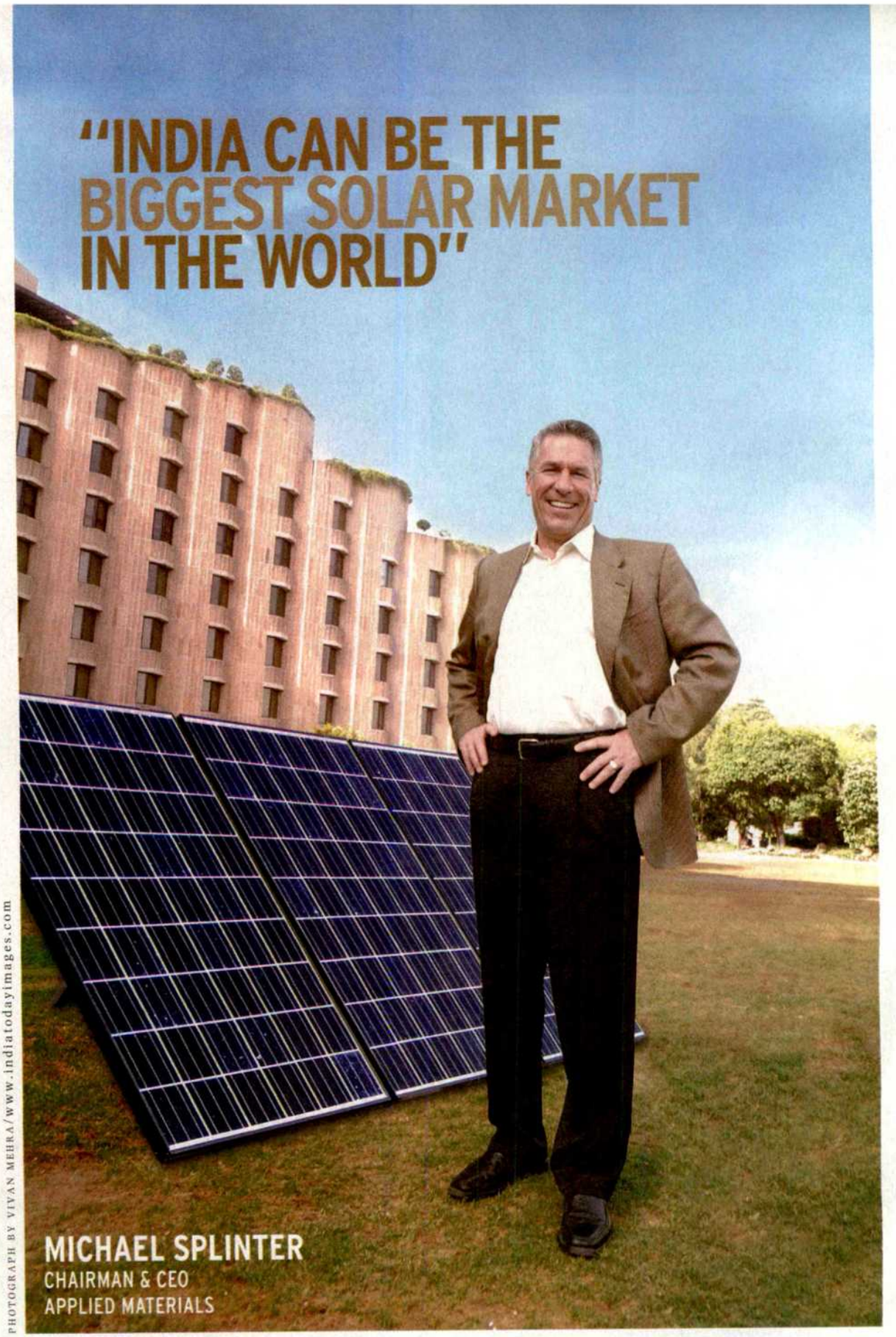


MICHAEL SPLINTER
CHAIRMAN & CEO
APPLIED MATERIALS

PHOTOGRAPH BY VIVAN MEHRA/www.indiatodayimages.com

Applied Materials is the world's biggest solutions and equipment provider to the solar photovoltaic manufacturing industry. That vantage position gives **MICHAEL SPLINTER**, *Chairman and CEO of the $5-billion (fiscal 2009 revenues) company, a unique view of an industry in a tearing phase of growth worldwide. As nations globally migrate to clean sources of energy, solar panel prices will drop dramatically, driving adoption at a pace never seen before, predicts Splinter. India, he tells BT's* **VIRAT MARKANDEYA** *and* **JOSEY PULIYENTHURUTHEL** *in an interview, has the potential to be at the centre of this explosion in demand for solar-generated energy if it places its bets right. Edited excerpts:*

Solar energy is suddenly being talked about as a replacement for fossil-fuels. How did we get here?

If we go back five years, silicon prices were $300 a kg, solar power was $4.20 a kilowatt or maybe even more expensive than that. You could build as big a factory as you want and people would buy all the output. That changed when Spain changed its incentive structure (it withdrew subsidies as an economic slowdown forced cutbacks in government spending) for solar power in 2008. Demand shrunk and all of a sudden there was huge overcapacity as new capacity came up. Prices of (crystalline) silicon came down from $350 to $50 per kg and prices (of panels) came crashing down.

Despite all that and despite the dramatic failure of Copenhagen last year, governments still know that they have to do something about carbon dioxide emissions. A world with another billion cars or so running on gasoline is not a viable future for the planet. I think most people see that and know that countries have to invest, to really make a difference. India is certainly stepping up in that regard, faster than the US and China, to set a vision of where the country is going to go. I think that's going to be tremendously positive for CO_2 emissions in India. The big question is: will it be really positive for the solar industry in India? The answer to that is how some nuances in policy and deployment of this terrific vision plays out in future.

How does solar stack up against other renewable resources? Solar panel technologies deliver efficiencies of less than 20 per cent today...

You have to remember that it's about the cost of electricity; cost of energy and efficiency is just one of those parameters. I believe solar is still the fastest-growing source of renewable energy. Wind is, of course, by far the largest. When you look at the different segments of renewable or clean energy, nuclear may be by the far the largest source of clean energy, then wind, then solar PV and then other smaller techniques.

Pricing of solar PV has been coming down dramatically and we think this year there'll be at least 50 per cent growth in deployment of panels. That's a dramatic change on a worldwide scale and we see no reason that numbers (like) 30 per cent-plus compound growth will not hold out for a long time into the future. Remember, pricing now is already between one dollar and one dollar and twenty cents (a kilowatt). It will have to come down a lot more to get solar competitive with other forms of electricity.

What, according to you, is the sweet spot in terms of pricing where solar needs will double or treble every year in place of growing 30 per cent every year?

I think that sweet spot is around ten cents a kilowatt hour because generally there is no place where you can generate peak electricity at 10 cents.

"If you're going to deploy 100 GW of solar by 2030, are you going to buy all the panels from outside the country? Let's say the cost of a solar panel gets down to 50 cents a watt—that's $50 billion leaving the country"

And how far away are we from that?

Not far, few years, maybe five, six, seven years... something like that on the scale of technology development.

What excites you about emerging technologies in the solar PV space?

I think we are going to see an evolution of capability. It's hard to make revolutions in a technology where, one, you need to have huge scale, two, it has to be reliable and last for 25 years. Any new technology that comes along has to be reliable and tested, you can't just say: okay, we're going make a gigawatt from this or that.

Will something like organic PV become big?

(Smiles) For some applications, it may be okay, but I don't think it's going to be the application that power companies are going use to generate hundreds of gigawatts in countries around the world.

For the mainstream, it is clearly going to be thin films?

I think it depends on what the applications are. I think thin films are going to play a big role in ground-mounted PV, I think crystalline silicon will be the biggest player in

rooftop applications. Let me give you an example, this is a US example, I think it's relevant to India as well. If you look at a city like Los Angeles, it's a big city right, lots of area and most of the rooftops—warehouse constructed buildings, for instance—are a great spot for crystalline silicon.

Turning to India, is solar really suitable for India?

India's a very diverse country so it's hard to say a specific thing, but certainly, the solar hours here—you can find spots with 2,100 peak solar hours a year—are as good as anywhere in the world. However, generally there is haze in the air and very high temperatures. That makes thin film very attractive for India deployment as it has better characteristics for high temperatures and diffused light.

The big question is: As the solar mission gets deployed in India, how is the government going to ensure that the Indian manufacturers are on a level playing field with importers? I think you want to build an industry here that has manufacturing, that has installation... has all the supporting industries to create 20 GW of solar by 2020 or 2022. It's an important factor that the technological part is here and a lot of those companies to scale up, whoever is trying to invest in the country.

In China, crystalline silicon deployment is going very strong; there's a huge capacity build-up. Still, China is considering what its solar policies should be, it's still developing that. India's much further along in deployment. That's the real centre of solar manufacturing.

Given the manufacturing momentum in China, do you think India still has a chance to catch up?

What's the alternative? If you're going to deploy 20 GW of solar by 2020 and then I believe the goal is 100 GW by 2030, are you going to buy all the panels from outside the country? Let's say the cost of a solar panel gets down to 50 cents a watt—that's $50 billion of utilities money leaving the country. I think I would be concerned about that. That is why I'm saying today that now is the time to look at how to scale and grow the industry for this market. This market can be the biggest solar market in the world. Has the best sun, has a huge need for electricity, has a hugely growing economy. When you add up all the things that are important to market growth, India has a great need for energy, has the need to create jobs and grow an industry. Why wouldn't this be the industry to really think about how to attract both indigenous and overseas investments?

It has to be thought-out well. In all cases with successful semiconductor presence, for instance, the government was always very helpful, had a policy and did capital grants and tax... But we're missing an ingredient in India.

If that's taken care of, what are going to be the big hurdles in ramp-up? Is the lack of semiconductor fabs an issue?

The two big things here are infrastructure and people. There's plenty of Indian engineers who have participated in high technology factories around the world. I think they would love to come here and start and industry. So I don't think talent is an issue. Infrastructure is a bit of an issue but we've worked with almost every manufacturer here in India and all of them are able to be overcome this without too much difficulty.

"A world with another billion cars or so running on gasoline is not a viable future for the planet. I think most people see that and know that countries have to invest, to really make a difference"

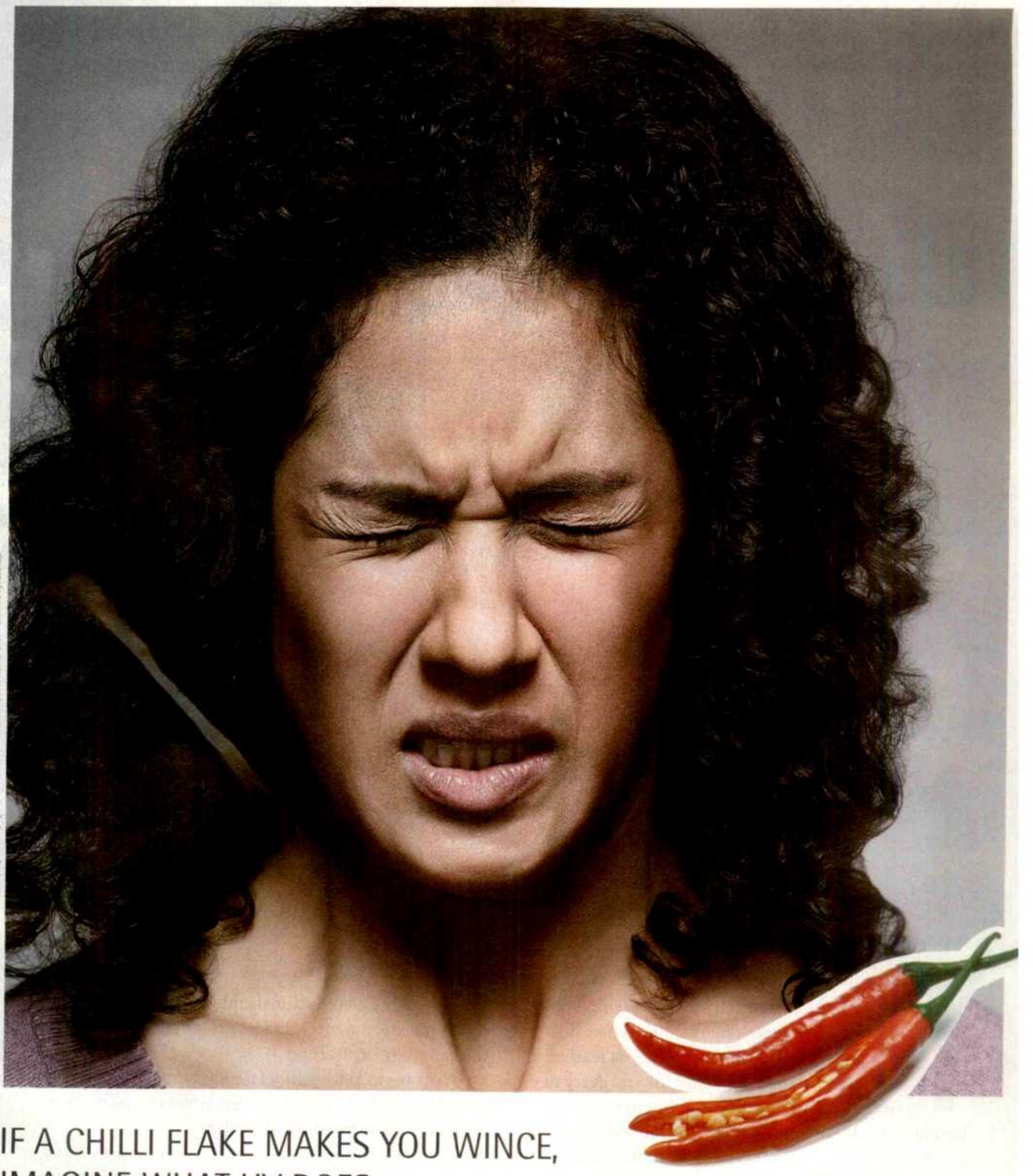
I'm sure India has looked back at trying to attract semiconductor factories to the country. They were singularly unsuccessful in that quest (earlier) while Singapore and Taiwan were successful.

How does India's solar mission compare with all the regulatory frameworks in place elsewhere?

It's a very bold vision. The goals are exactly right and now it will get down to how you do the deployment. I think the one thing that's missing across the world is what is going to be the responsibility of utilities. Are utilities going to be required to have so-and-so part as renewables by such-and-such date? Because when you start to think about 20 GW of electricity, this has to be deployed by utilities. This is utility scale by definition. You don't get to that kind of scale by putting it on somebody's house or even on tops of buildings.

How optimistic are you that utilities will buy into this model on a large scale?

There'll be negotiation, I believe. This has to be part of the government's vision. I know that there are discussions already going on to have a certain portion as renewable energy by certain time. To have a solar target especially in the early days of the deployment will ensure that solar gets the scale and gets the cost down and allows the government, at the end of this, to remove the incentives. That has to be the goal for everybody, in the end, to have free-market forces pushing the market and not just the regulatory or incentive forces. ⊙



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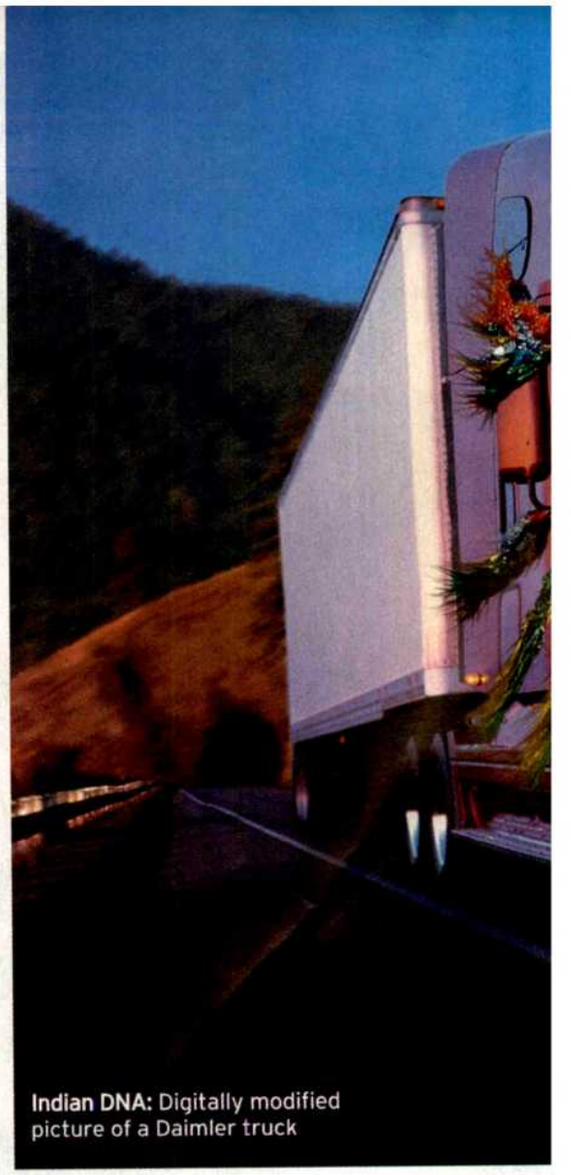
DAIMLER'S MADE FOR INDIA MISSION

The world's largest truck maker is leaving no stone unturned to make a mark in India, one of the toughest commercial vehicle markets.

N. MADHAVAN



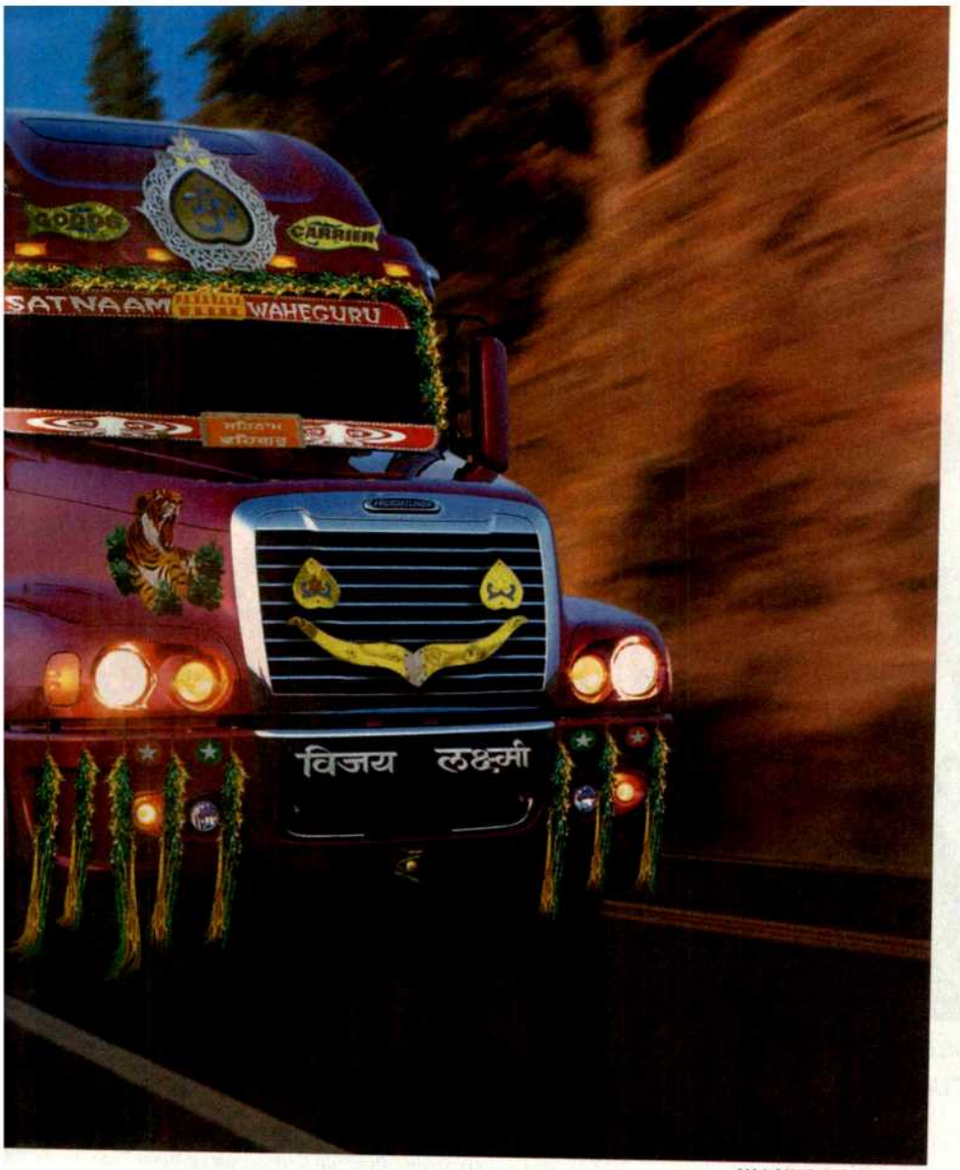
Indian DNA: Digitally modified picture of a Daimler truck

It is 4 a.m. on a cool February morning. Hundreds of trucks are heading into Chennai's Koyembedu vegetable and fruit market—one of the biggest markets in Asia—to unload their cargo like they do every day. What was unusual that day was the presence of three German executives from Daimler AG who were busy interacting with the drivers using their Indian colleagues as interpreters. They had come to understand drivers' perception of safety—what they thought about collapsible steering, air bags or honeycomb panelling for the front of the truck which will collapse on frontal impact and thus save the driver. What they learnt stunned them. Indian truck drivers have little interest in these features and prefer to leave their safety to the lemon and green chilly they string and hang in front of the truck and an idol of their favourite deity they place in the dashboard. Once back home, the Germans tweaked the dashboard design for all the Daimler vehicles that will be manufactured and sold in India to include a flat surface to mount God's idol, apart from incorporating the various safety features.

Welcome to India—one of the most unique and toughest truck markets in the world where emotions and business acumen work in an unusual tandem.

It is not surprising that Daimler, the largest truck maker in the world with a presence in over 150 countries (and market leadership in many emerging economies such as Indonesia, Brazil, Mexico, South Africa and Turkey), is taking no chances with its Rs 4,400-crore investment in India. The new project spread across 400 acres near Chennai to manufacture and sell light, medium and heavy duty trucks (6-49 tonne capacity), would be able to roll out over 70,000 units a year.

"We have the knowledge and data from across all continents and countries. We know under given conditions



IMAGING BY KULDEEP

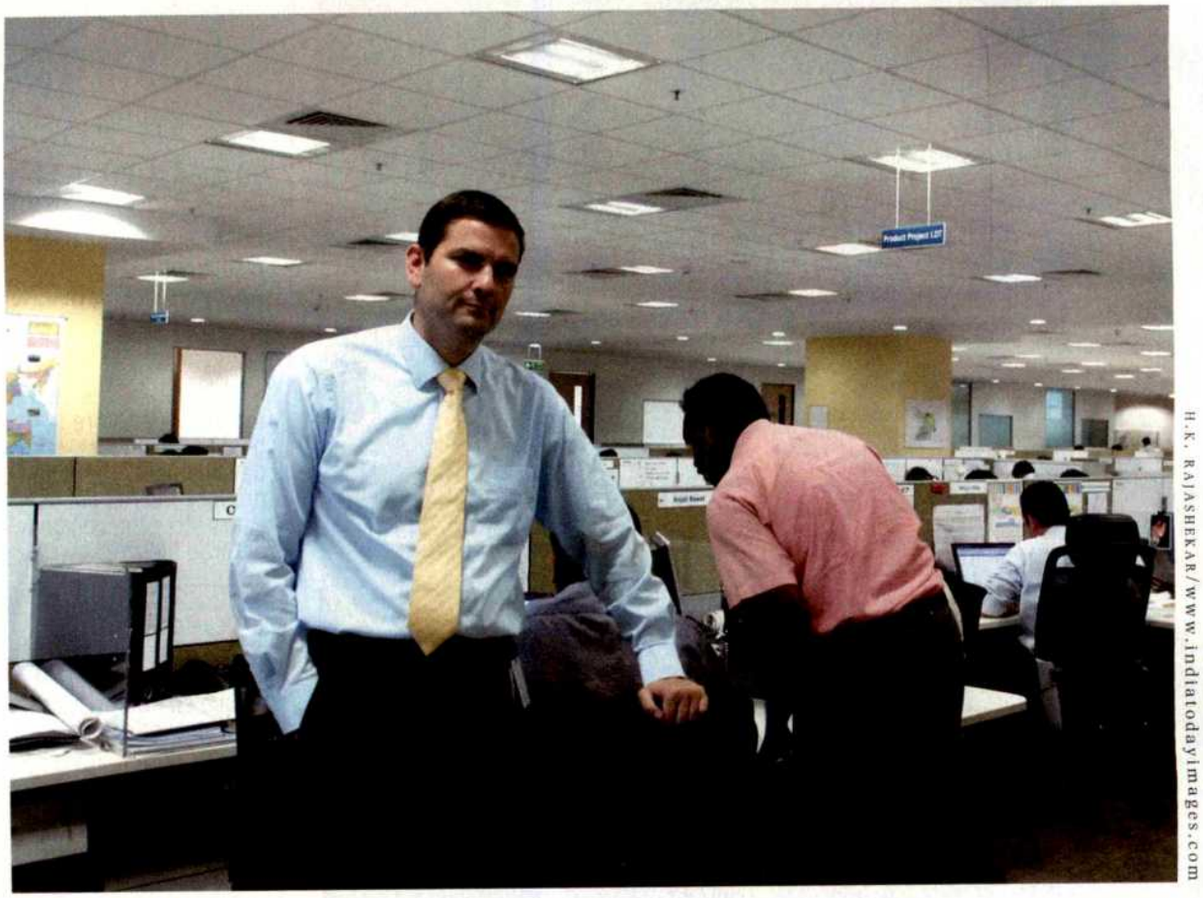
THE GAME PLAN

- Set up a full-fledged plant—not just an assembly line—with 85% localisation.
- Understand the market well before going into product development. The first product will roll out six years after the company entered India.
- Develop the right product for India, factoring in the market's unique characteristics such as overloading and low total cost of ownership.
- Use technology to reach service back-up faster to customers.

how long a truck would last. But that is not enough for India," admits Aydogan Cakmaz, Vice President (Product Engineering), Daimler India Commercial Vehicles (DICV). Cakmaz is not exaggerating. India is one of the most demanding markets when it comes to truck performance. The total cost of ownership—fuel efficiency, product reliability, cost of spares and resale value—needs to be the best. "India may be a developing economy, but commercial thinking in the trucking sector is First World. I have not seen the cost consciousness that Indians exhibit anywhere else in the world. We need to offer a highly efficient and a very reliable product at a very competitive price," says Marc Llistosella, CEO, DICV. Adds Cakmaz: "We have to be very precise in India. Life cycle costs are calculated very meticulously here."

That's not all. India has an unusually high proportion (a third almost) of first-time users and small fleet operators which calls for product offerings that are tailored very differently from what global players are used to. Also, India is as good as a vast continent when it comes to truck usage and expectation. Road conditions vary significantly and so do driving habits, which are in a way linked to each region's culture. Then there is the general mistrust of foreign players, who have in the past failed to deliver adequate product support. And if all these are not enough, a new entrant faces a formidable challenge from the well-entrenched Tata Motors and Ashok Leyland. Good enough reasons for any foreign company to keep away from the Indian market for so long (barring Volvo, which has managed a marginal presence in the low volume heavy duty segment).

While India may be an intimidating market, it is turning attractive, too. Demand for trucks is expected to double from the current 2.02 lakh units per annum to over 5 lakh by 2018. The market is also moving, though



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MARC LLISTOSELLA/ CEO/ DAIMLER INDIA COMMERCIAL VEHICLES (DICV)

"Our aim is to sell trucks that are made in India, for India and by Indians"

slowly, towards new generation vehicles and most importantly, government mandated emission and safety norms are levelling the playing field as Indian players are forced to retire old products, develop new ones and invest in modern technology—all of which increase the selling price of their vehicles.

Daimler hopes that it's well mapped out strategy will help it meet the challenges and take advantage of the opportunity that India presents. One of the earliest decisions it took was to tailor a product for India rather than rushing in with a retro-fitted model drawn from its vast product portfolio. "We entered India in 2006. We have been studying the market for the last four years to understand it and gain customer insight. Our first product will hit the market only in 2012—a good six years after we started work here," says Llistosella. DICV's seriousness can also be gauged from the fact that it is investing over Rs 1,200 crore in research & development alone and the first brick and mortar infrastructure that has come up at the otherwise barren factory site is a three-lane modern test track (only its third after Germany and Japan) spread across 47 acres. "The test track simulates the varied Indian road conditions based on over 11,000 km of road load data that DICV has managed to capture so far," says Cakmaz. At present, 20 prototypes are undergoing tests with all of them cumulatively clocking over 10,000 km every day.

Getting the product and price right is key to Daimler's India strategy. "With the sort of research that has gone in, we are confident of coming out with

The Players

Tata Motors and Ashok Leyland control 85 per cent of the commercial vehicle market.

KULDEEP

Market share in per cent in April 2010
*Include Volvo and MAN trucks

Source: SIAM

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competitive products both in terms of price and performance. It is a pre-requisite given our ramp up plan. Believe me, it is very aggressive," says V.R.V. Sriprasad, Vice President (Marketing, Sales and After Sales), DICV.

Interestingly, DICV is not banking just on market research for its success. It is also imbibing the local culture. "We do not need Daimler culture. We need Indian culture and the resultant local creative solution," says Llistosella. So, he does not, for instance drive a Mercedes car like most Daimler CEOs in other parts of the world. "It makes no sense (to do that) and talk of low-cost engineering," he says. Also, DICV is tapping heavily into Indian talent to design the right product for India. Of the 500 employees it has today, only 30 are expats. "Our aim is to sell trucks that are made in India, for India and by Indians," he adds.

The company has also taken care not to let its pedigree come in its way and has chosen to adapt to the Indian market in every possible way. "We have chosen to unlearn whatever we know about trucks and learn trucking the Indian way," says Llistosella. All senior managers, including expats, routinely visit major trucking sites to meet the stakeholders. Some even travel in a truck for days to experience first hand the Indian way of trucking. These efforts have helped DICV appreciate and adopt certain Indian practices that may not be part of Daimler's system.

One such case is its decision to sell the vehicles as cowls and not as fully built—the established practice in Daimler. Cowls are just the chassis with a driver seat. The driver's cabin and body are then built by truck bodybuilders. DICV is already talking to bodybuilders to ensure that there are no specifications issues after the products are launched. Having realised that Indians are second to none in frugal engineering, DICV has not hesitated to utilise their expertise—be it for building the test track at a cost of Rs 25 crore as against Rs 80 crore that was originally proposed from Germany, or the proposed paint shop at the factory that will be set up at a cost which is 35 per cent less than the lowest quotation offered by German contractors. Also, it has come to accept that overloading of trucks is the norm in India and is designing all products accordingly.

It has brought Daimler Financial Services, the world's largest truck finance company, to India to understand hire purchasing of trucks. Almost 90 per cent of the trucks sold in India are hire purchased unlike in the West where they are leased. "We cannot lease trucks in India. There are too many variables and the market is not ready for it yet," says Sriprasad.

While DICV has been keen to adapt to the Indian market, it has not hesitated to challenge existing practices where needed. Sales and distribution is one such area. Tata Motors and Ashok Leyland have over 300 service points spread across the country. Setting up such a network is seen as a major entry barrier for any new player. But DICV has chosen not to replicate it. "Network is only a means to service your customers. We will leverage information technology to ensure that trucks are back on the road in less than two hours," says Sriprasad. DICV plans to have 73 dealerships across the country by 2014.

But it has not always been easy for DICV to convince its parent to accept some of the unique aspects of the Indian commercial vehicle market. For instance, modern trucks have shifted to plastic bumpers worldwide. But DICV found that unsuitable for India as the vehicle density on Indian roads is heavy and bumpers tend to get damaged often. With 50 per cent depreciation on plastic items while claiming insurance, truckers would be forced to pay heavily to replace the bumper every time.

DICV is also working to convert its late Indian entry into an advantage. "We have a clear medium- to long-term view. We also have a clear idea of the product configuration. Unlike existing players, we do not have to worry about today—we can just focus on the future. Late entry has its own advantages," says Sriprasad.

As three digital clocks at the DICV office display prominently (to the second) the countdown for the start of production of light duty vehicles, heavy duty vehicles and engines, Llistosella leans back on his chair and says: "I see a totally different India in 20 years. By 2015, one in every six trucks will be made here. We will make a mark in India, export trucks from here and effectively compete with China. This is one market you should be in." His bosses in Stuttgart are, for sure, hoping that his words come true. ⊙

ENTRY BARRIERS

- India is a very demanding and cost-conscious market.
- It is very diverse. Each region's expectations, weather, driving habits and traffic conditions differ.
- First-time users and small fleet operators account for over 30 per cent of the market. They need very different product offering strategy.
- Overloading, unheard of in the West, is a norm in India.
- Fleet operators and truck owners have a distinct mistrust of MNCs as they have in the past failed to deliver product support.
- Any new entrant has to face stiff competition from well-entrenched Tata Motors and Ashok Leyland.

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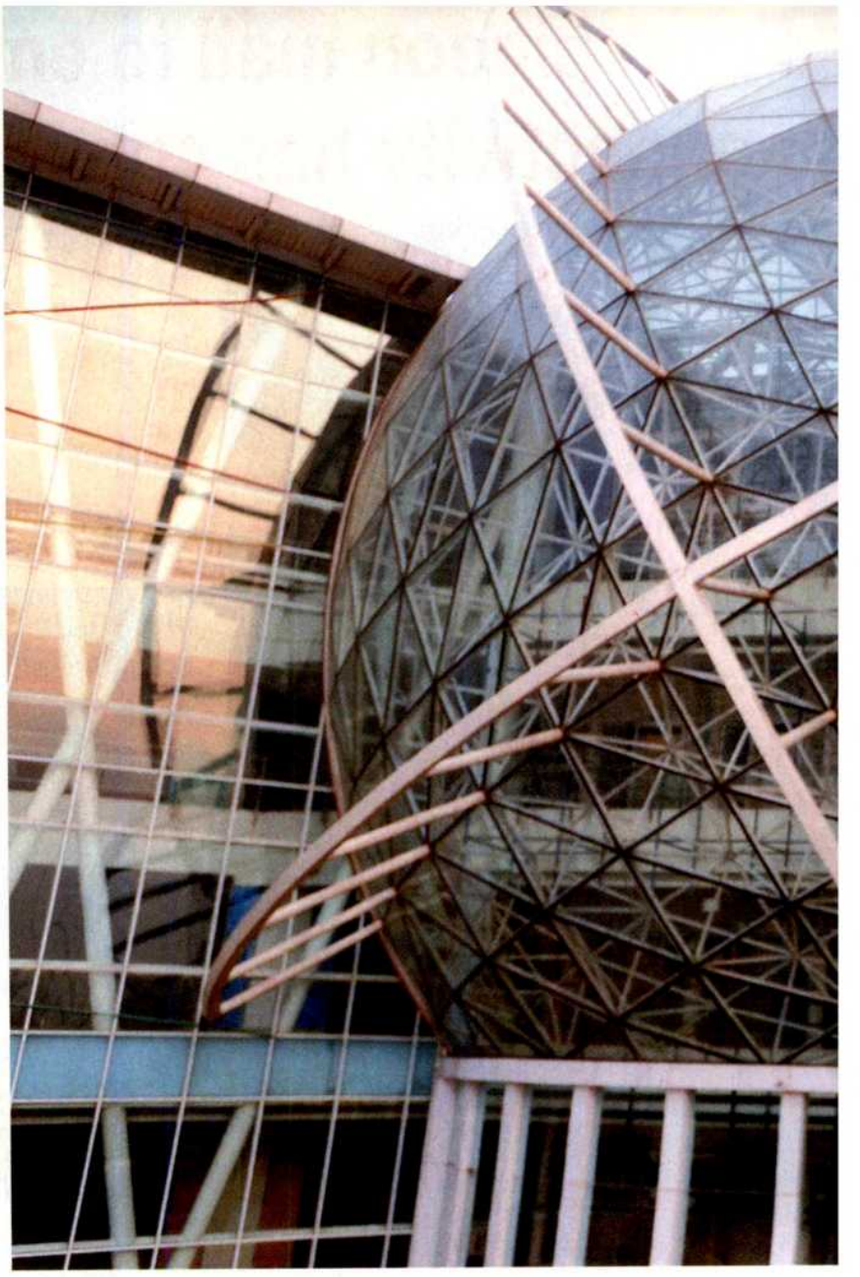


IBM's Indian Silver Bullet

After a 2004 buyout, IBM refrained from integrating Daksh into its fold letting it bloom on its own. Not only has the business grown ten-fold, Big Blue is now turning to the Indian outfit for its next big bet: Analytics. **JOSEY PULIYENTHURUTHEL**

Two weeks ago, Sam Palmisano had a simple message at an investor meet: You ain't seen nothing yet. Well, those were not the exact words used by the Chairman and CEO of International Business Machines, or IBM, but they convey the essence of what he said. IBM plans to double profits in five years, leaning heavily on analytics software—a suite of products, solutions and services—that promise to extract never-before value from the mountains of data each of its global clients generate.

In doing so, Palmisano is steering a company with some $96 billion, or Rs 4,43,612 crore, in revenues (that's bigger than the GDP of all Indian states, except Maharashtra) into new territory for the second time in a decade. A year after he became CEO of IBM in 2001, with the company set on a path into technology services away from hardware, Palmisano bought PricewaterhouseCoopers' consulting business. In 2005, he sold IBM's personal computer division to Lenovo.

And, in his next transformation, the 53-year-old CEO of the biggest tech and software services firm in the world will need all the help from a little known start-up he snapped up in

Pavan Vaish, CEO, IBM Daksh

VIVAN MEHRA/www.indiatodayimages.com

Old Dog, New Tricks

IBM's top learnings from Daksh.

CUSTOMER IS KING, TRULY
Up to one-sixth of call centre agent salaries linked to customer satisfaction, other variables.

HONESTY WORKS
Declined a lucrative order for local language support to an European airline: It did not have the people.

NIMBLENESS EQUALS SPEED
Can scale up or down agents in a particular support process with notice as less as a few weeks.

BEYOND PRODUCTIVITY
Tools, models such as Six Sigma or Lean implemented with overall client context, not just efficiency of a particular process.

Gurgaon, a satellite city south-west of New Delhi, in April 2004: Daksh eServices. A company which was among the first movers in 1999 into what would in later years be better known as business process outsourcing, or BPO, services. An operation that had less than 6,000 employees and $60 million revenues when IBM was scouting for an acquisition in that space.

Today called IBM Daksh globally (it has 25 centres in India and the Philippines), that 2004 buy has become key to Big Blue's—as IBM is called from the days it sold blue-painted mainframe computers—growth. Half of the tech giant's BPO operations are grouped under IBM Daksh today; it is some 30,000-people strong; and competitors reckon it turns in $600 million in sales—a shade under half of IBM's India revenues—second only to its biggest rival in India, Genpact. Effectively, that means IBM Daksh clocks in more revenues per employee than at the rest of IBM, which employs another 65,000 in tech services and products, in India. (IBM does not disclose its revenues by services from India.) "We had planned for success,

"There is a rabid focus on customer centricity and trust. There was a client that called us to say that it was merging with another company and would have to ramp up seats with us right away but would be able to sign legal contracts only later. We did it" **Pavan Vaish,** CEO, IBM Daksh

SHEKAR GHOSH/www.indiatodayimages.com

"We had planned for success, but got an even bigger success than expected" **Moneshia Eltz,** Director (Corporate Development), IBM

but got an even bigger success than expected," says Moneshia Eltz, Director (Corporate Development) for IBM in the Central, Eastern Europe, Middle East and Africa region. Eltz was one of the key IBM executives tasked with the Daksh integration after the buyout.

The value that Daksh brings to the IBM fold goes beyond just the size of the business, say other IBM executives. Most BPO firms have set up their Indian operations with a labour-arbitrage and talent-enhancement view. IBM, says Randy Walker, General Manager (Growth Markets, Services), from day one treated Daksh as a profit centre and not just a cost centre. This has led to a "gainshare model" that IBM Daksh has with most of its clients, where it gets to share in financial upsides in contracts or, more often, receives hefty bonuses when it meets targets.

Customer Central

Daksh also helped IBM to move away from its traditional stronghold of large customers such as Procter & Gamble, Dupont and Yahoo! to servicing smaller clients like Indian online ticketing firm MakeMyTrip.com. Such small and medium businesses (defined as those with less than 1,000 employees), Palmisano has predicted, will make for IBM's biggest customer segment. "Today, half of our customers are from this segment; much more if you take half the customers signed on," Walker says about IBM Daksh.

Ironically, for an acquirer some 1,600 times the size of Daksh by revenues in 2004, IBM chose to play second fiddle after the acquisition. Not only did it not know the BPO business (its so-called managed business process services, or MBPS, division was just a year old), it had a rewarding experience from three years earlier when it acquired PwC Consulting. That was the first time IBM had chosen to move its business into that of an acquired entity and it had been a game-changer, giving IBM a big leg-up in high-value software consulting. (See *Don't Integrate Your Acquistions, Partner with Them, Harvard Business Review* Exclusive, page 106.)

IBM saw such silver-bullet attributes in Daksh, too. The Indian firm's founders were outliers in a business with roots in technology services that was driven hard by measured processes and watertight service level agreements (SLAS). "This business," says John Lutz, General Manager, MBPS, "is about hygiene versus delight. Delivering customer value was a religion at Daksh." Some 15 per cent of a call centre executive's salary, for instance, depends on variables such as customer satisfaction.

Pavan Vaish, CEO, IBM Daksh, puts that focus on customer and the ability to take risks at the core of what his operation does. "There is a rabid focus on customer centricity and trust. There was a client that called us to say that it was merging with another company and would have to ramp up seats with us right away but would be able to sign legal contracts only later. We did it," he said, declining to name the client.

Vaish, one of the four co-founders of Daksh, admits Daksh made several mistakes along the way, but learnt from each. For example, it had to sack half of some 500 hires it had made for Amazon (he won't confirm the name) when it was clear they could not be trained up to speed.

Customer attentiveness and fleet-footedness has helped IBM sign on large customers such as Unilever, a big chunk of whose work is handled by IBM Daksh centres in India, to smaller engagements such as financial software firm Intuit (a less-than $1 billion company when Daksh signed on as a

service provider in January 2001). Larry Wood, Director (Procurement) at Intuit, recalls the time when seasonal demand was putting inordinate stress on support teams provided by IBM Daksh. "Tax day in America is on April 15 and our support shifts into high gear in that period. One year, IBM came with the idea of specialised agents and trained them up to meet immediate demand peaks in a matter of weeks," he told *BT*.

Analyse This

IBM Daksh today has dozens of clients and is helping other IBM BPO centres in Egypt, Costa Rica, China, Korea, and Australia, grow with its India-honed advantages. In that expanding outreach, "it is the Daksh 'solutioning' mentality that is helping scale up or down with nimbleness," says Lutz, who heads BPO work globally for IBM.

So, in Dalian, China, for instance, says Pradeep K. Agrawal, Chief Quality Officer, MBPS, work for a Fortune 500 electronics retailer—IBM doesn't name clients—was meeting all SLA, revenue and profitability targets. But "when we looked closely, we realised we could make significant savings on time by changing a bit at the client end and a bit at our end. We did just that without being asked to do that," adds Agrawal, who last year returned to India after a 18-month assignment in China.

The shift towards analytics—the new business that Chairman

"The BPO business is about hygiene versus delight. Delivering customer value was a religion at Daksh"
John Lutz, General Manager, MBPS

Over the last several years, it has reduced the number of CIOs (chief information officers) from 128 to one, and applications running internally and with clients to 4,500 from 16,000; it today runs shared services across human resources, information technology, supply chain, realty management and other functions. "We have saved $4 billion in four years alone," says Linda Sanford, Senior Vice President (Enterprise Transformation), and a direct report to Palmisano. For customers who are ready for transformation, analytics is the way, she insists.

IBM Daksh today has dozens of clients and is helping other BPO centres of IBM grow by transplanting some of its differentiators.

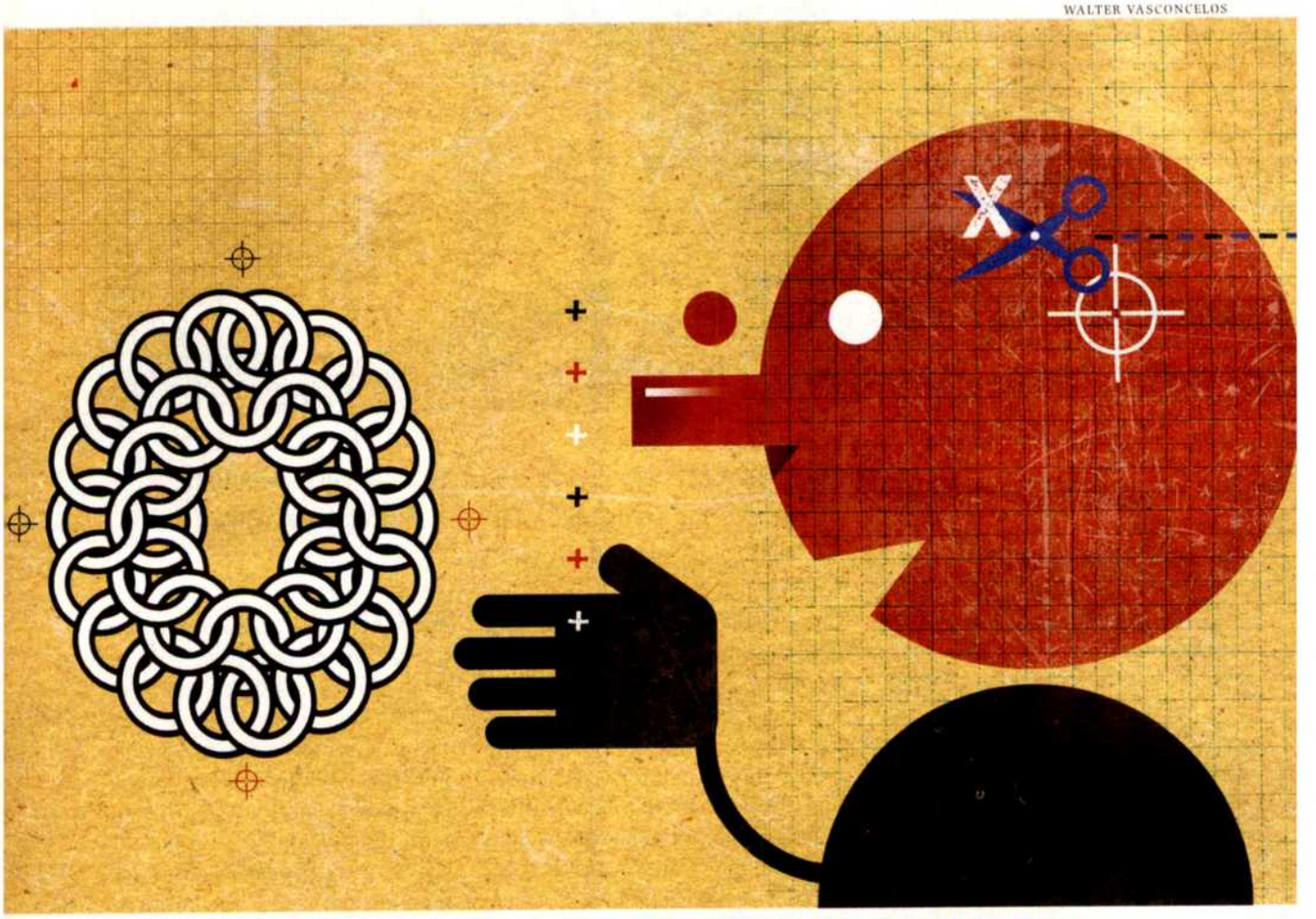
Palmisano is betting big stakes on—hinges on IBM Daksh, in fact. IBM aims to combine its research and product capabilities with support services to derive value for its customers by sifting through data to increase revenues or reduce costs or both. IBM points to itself as the best demonstrable test case:

Such analytics are already at work at IBM Daksh's Bangalore centre, which is serving customers such as Unilever. The consumer products giant is targeting savings of some €700 million (Rs 3,235 crore) under an ambitious 'One Unilever' programme to transform financial transactions such as purchases and payments, general accounting, invoicing and cash functions. "We developed tools to look into payment patterns and do analytics for insights such as predictive capabilities to spot problem customers," says Lutz.

That ability has IBM planning to integrate a September 2009 acquisition of RedPill Solutions, a Singapore provider of high-end analytics services to banks, phone and tech firms, and hotels, into IBM Daksh. "RedPill is a major growth item for us... we will sell it to our existing client base and focus on operations excellence and detail," says Walker, who, as head of BPO services for Asia since February 2005, has overseen IBM Daksh from its early days. "Daksh will ensure that its wheels don't come off as they expand." Palmisano would then continue to feel smug about his 2004 purchase in Gurgaon. ⊙

Harvard Business Review
EXCLUSIVE

WALTER VASCONCELOS



DON'T INTEGRATE YOUR ACQUISITIONS, PARTNER WITH THEM

Bucking conventional wisdom, emerging multinationals like the Tatas are preserving the identity of companies they've taken over. By allowing them operational autonomy, they're reaping rewards.

BY PRASHANT KALE, HARBIR SINGH, AND ANAND P. RAMAN

What counts in making a happy marriage is not so much how compatible two people are, wrote Leo Tolstoy, but how they deal with incompatibility. That philosophy underlies a novel approach to mergers and acquisitions (M&As) that some emerging multinationals have adopted. Instead of rushing to integrate businesses they've bought overseas, they've allowed their acquisitions to continue operating independently, almost as if there had been no change of ownership. Each organisation focusses on what it does best even as it learns to use the resources and capabilities of the other to achieve its goals.

Partnering—our term for this approach—entails keeping an acquisition structurally separate and maintaining its own identity and organisation. The acquirers retain the senior executives, particularly the CEOs, of the corporations they buy and give them the same power and autonomy they used to enjoy. The new parents simply lay down their values to serve as a beacon and create a fresh sense of purpose in their acquisitions. They hunt for synergies in a few areas, carefully choosing those that aren't disruptive to their acquisitions' businesses. In a nutshell, the acquirer treats the acquired organisation as it would a partner in a strategic alliance. By doing so, emerging multinationals are able to manage acquisitions' organisational drivers in a non-threatening way, reduce the unintended consequences of integration, and create an environment in which companies can easily share knowledge and best practices.

Big business groups from several developing countries—the AV Birla Group, the Mahindra & Mahindra (M&M) Group, and the Tata Group in India; the Ülker Group in Turkey; Neusoft in China; and AmBev in Brazil, among others—are using this light-handed M&A style. Their approach was summed up in 2004 by Tata Group's Chairman Ratan Tata when his group acquired South Korea's Daewoo Commercial Vehicle Company. "Tata Motors will operate Daewoo as a Korean company in Korea, managed by Koreans," he stated, "but it will work as part of a global alliance with its Indian counterpart."

The partnering approach is becoming a hallmark of reverse takeovers, even helping emerging giants win takeover battles. For instance, Murat Ülker, the low-profile Chairman of the Ülker Group, was asked by Godiva's board why he wanted to buy the company during the auction in 2007. "I have enough businesses to run," he said. "For me, Godiva is the Spoon-maker's Diamond (the 86-carat stone hanging in Istanbul's Topkapi Palace) of the chocolate market. I will polish it, make a pendant with it, and help promote it in different parts of the world." His clear intention not to manage the Belgian-American company in a hands-on fashion helped him bag Godiva. Hemant Luthra, the architect of the Mahindra Group's overseas takeovers in the automotive components business, adds: "The management teams we acquired in Europe have become our best spokespeople. If the people in a company we are trying to acquire have any concerns, I simply put them in touch with those managers."

It may be too early to tell how well the approach is working; cross-border acquisitions are notoriously tough to pull off. However, the signs are encouraging. We analysed the financial performance of Indian corporations that bought 204 companies abroad between 2000 and 2007 and many of which have used the partnering approach, and we were surprised to find that they had created value for shareholders. After the takeovers, the buyers' stock prices registered a gain of 1.76 per cent after adjusting for other major factors, suggesting that the acquisitions were responsible for the increase. That's exceptional; most cross-border takeovers destroy shareholder value. For instance, Daimler's $36 billion acquisition of Chrysler, hailed as a deal "made in heaven" in 1998, ended with Daimler selling Chrysler for $7.4 billion in 2007.

More than 50 per cent of employees in 10 US and European companies recently acquired by Indian firms said they were happy with their new owners.

A survey we conducted of Indian acquirers' senior executives shows they're satisfied with the outcomes. On a 7-point scale (where 7 stands for "I strongly agree"), scores averaged 5.69 for the statement "You've achieved most of your objectives in executing this acquisition," and 5.47 for the statement "You're satisfied with the outcome and performance of this acquisition". When we interviewed a cross-section of employees in 10 US and European companies recently acquired by Indian firms, more than

50 per cent of them said they were "happy" with their new owners. Again, this is surprising, considering that M&A frequently results in disgruntled employees and an exodus of top talent. Thus, emerging giants could become acquirers of choice globally.

Emerging multinationals have persisted with the partnering approach despite the economic environment of the past two years. Never have companies had to place greater emphasis on reducing costs and improving efficiencies. Yet companies from developing countries have given their overseas acquisitions a great deal of managerial freedom—and financial support—to deal with the crisis as they see fit.

How Tata Chemicals Uses the Partnering Approach

In December 2005, Tata Chemicals—part of India's Tata Group—acquired Brunner Mond, a large soda ash manufacturer in the UK, and its Kenyan subsidiary, Magadi Soda, for $170 million. Here's how Tata Chemicals has implemented the partnering approach.

IMMEDIATE STEPS

Soon after the acquisition, senior Tata Chemicals executives held one-on-one meetings with key Brunner Mond and Magadi Soda managers and assured them that:

- They would retain all senior executives and employees.
- They would not change the companies' names, identities, or reporting set-ups.
- Tata would seriously consider issues related to Brunner Mond's pension plan liabilities—then a major concern of the acquired company's employees.
- Postacquisition decisions would be guided by a "best of three" evaluation philosophy, taking into account best practices, processes, and ideas from all three companies.

THE FIRST 100 DAYS

In February 2006, senior executives from the three companies met in Mumbai to develop a 100-day plan. Teams made up of managers from all three companies identified 35 primary tasks, including:

- harmonising the strategic planning process
- developing plans for servicing top global accounts
- aligning HR best practices and policies
- establishing communication and PR protocols

Before the meeting, Tata Chemicals issued communications guidelines for its executives:

- Talk about the Tata Code of Conduct and Business Excellence Model at every opportunity.
- Convey the group's core business values and commitment to society.
- Do not interact solely with Tata Chemicals people; make sure you mingle with your new colleagues.
- Avoid terms like "acquisition" and "ownership"; speak of "coming together" and "parentage."
- Avoid terms like "you" and "us"; say "we."

LONGER-TERM MEASURES

After the first 100 days, Tata Chemicals took some organisational steps:

- It set up a Global Chemicals Advisory Council, chaired by the managing director of Tata Chemicals and including eight senior members drawn from all three companies to guide strategy and policies.
- It constituted a three-member Business Heads Council, which is chaired by rotation. This group is responsible for coordinating operations, sales, and marketing strategies.
- The three companies have started sharing data, especially when they approach global customers.
- Tata Chemicals is helping Brunner Mond and Magadi Soda source equipment from Indian suppliers.
- The Tata Chemicals Innovations Center in India and Brunner Mond's new-ventures team are working together to find new business opportunities in Europe.

What's So Different About Partnering?

Companies have to make decisions about five issues after a takeover. The partnering approach differs from traditional postmerger integration practices on all of them, we find.

Organisational structure. Most takeovers result in two organisations becoming one. Merging goals, procedures, and reporting relationships yields economies of scale and scope, and reduces operational and overhead costs—the raison d'être of most M&As. In stark contrast, most emerging multinationals haven't absorbed their overseas acquisitions. They've allowed the acquisitions to remain separate organisations, and have given them almost complete operational freedom even when they are in the same or related businesses. Tetley and Corus (Tata Group acquisitions), Godiva (Ülker's purchase), and Springs Industries (which Coteminas bought) all operate as stand-alone businesses despite having had new owners for three or more years.

Independence doesn't result in dramatically lower costs, but it does allow emerging giants to avoid the mistakes that doom many takeovers. When companies merge, the process disrupts operations and activities in both organisations. Creating common procedures and reporting relationships is complex and consumes significant chunks of top management's time. In the process, organisational morale dips and employee turnover soars. These hidden costs, many emerging multinationals have found, outweigh the monetary benefits of structural integration.

Reducing costs is not the only reason why emerging multinationals pursue M&As. They acquire to expand

into new markets or gain control of brands and new technologies. By keeping acquisitions at a distance, they can take full advantage of overseas companies' identities and prevent their own antecedents from clouding established brands—a particular worry when it comes to growing super-premium brands such as Godiva and Jaguar or consumer icons such as Budweiser. For instance, VIP Industries, India's largest luggage producer, acquired Carlton International, the maker of high-end luggage in the UK, in 2001. The company now manufactures the Carlton line in India, but it maintains a very different organisation in the UK, so that it can preserve the British essence of the brand.

Business activities. Emerging giants don't entirely forgo synergies; they go after them selectively and in stages. At first, they look for activities that, if coordinated, will yield cost savings or enhance revenues without disrupting either company's core business. Taking a leaf from the strategic-alliances textbook, they use managerial links—such as joint teams and boundary-spanning individuals—to identify and exploit opportunities.

Raw material purchases are usually a good place to score quick wins. In traditional postmerger integration, procurement synergies come because the organisations have merged into one. By contrast, emerging multinationals set up teams to coordinate buying with overseas acquisitions. Soon after Tata Tea acquired Tetley, managers from both companies agreed to focus on open-market tea purchases—an area where they could reduce procurement and logistics costs just by acting in unison. They set up a buying team consisting of an equal number of managers from each company, so that each would become aware of the other's quality standards. Similarly, Ülker and Godiva coordinate cocoa and hazelnut purchases, and Tata Steel and Corus now purchase all their zinc and scrap metal together.

Sharing operational know-how is often the next step. The key word is sharing. Knowledge usually flows from the acquirer to the acquired. However, emerging multinationals make decisions using a best-in-class philosophy: Teams consider best practices, processes, and ideas from both companies before choosing which ones to follow. To ensure that ideas travel both ways, Tata Steel and Corus created several forums in which employees could discuss and share technical know-how and best practices.

Most emerging giants give overseas acquisitions the latitude to make strategy, but they align their planning templates and budgeting calendars with their own. By synchronising the strategy planning process, they're better able to coordinate and communicate about plans. India's M&M Group pushed the companies it bought in Europe and China to move to the Mahindra Annual Planning Cycle quickly. "We encourage our overseas acquisitions to move to the MAPC as fast as possible," explains Anand Mahindra, the group's Vice Chairman, "so that we are in step with each other and speak a common language."

> When we acquire a company, we do not go in like conquerors...we go in with a collaborative mind-set.
> *-R. Gopalakrishnan, Executive Director, Tata Group*

Top management. Companies usually replace their acquisitions' top management teams as one of the first steps of integration. Beyond signalling the buyer's intent to change things, these actions also are a way of aligning the vision, strategy, and operating routines of the two companies. In fact, many experts believe that companies can create value from takeovers merely by replacing incumbent management teams with their own, more skilled managers.

Most emerging multinationals instead do everything they can to keep top teams intact. That, they believe, shows the buyer's confidence in the company, its strategy, and the quality of its talent. It also dispels any notion that poor performance in some way led to the takeover. As a result, the acquirers don't lose human and social capital or the team's industry- and company-specific knowledge; in fact, they can harness all that for the benefit of both parties. Debu Bhattacharya, the CEO of India's Hindalco, which bought Novelis, admits: "We paid for Novelis's assets as well as its talent. Many of them are institutions in their areas of expertise." Familiar faces reduce postmerger uncertainty among customers, suppliers, and employees; indeed, this approach has the added benefit of creating a positive organisational climate after a takeover.

Is this a feasible strategy? Judging by number of emerging giants that have been successful in retaining CEOs, it is. Brunner Mond's John Kerrigan, Godiva Chocolatier's Jim Goldman, Novelis's Martha Finn Brooks, NatSteel Singapore's Oo Soon Hee, Springs Industries' Tom O'Connor, and JECO Holdings' Thomas Koerner all stayed on after being acquired by emerging multinationals. Jim Goldman explains: "The Ülker Group was up front. Its senior executives told me: 'We want to work with you; we believe in you; we want to know what

you think we should do... Can you continue to lead Godiva?' I decided to give it a whirl. The relationship has continued to grow, and I'm still here three years down the line."

Operational autonomy. Most companies end up with precious little operational autonomy after they've been acquired. Even when they aren't integrated—as is the case with some of Cisco's acquisitions—they don't get much of a free hand. Moreover, it's clear who the buyer is—and who has been bought. By contrast, emerging multinationals rarely get involved in day-to-day decision making—even on key issues such as staffing or pricing—unless asked to do so. They assume that incumbent teams know their customers, organisations, and rivals best.

Such freedom slows the pace of change, but it has distinct advantages. Independence minimises the likelihood of poor performance after a takeover; acquirers often make bad decisions because they don't understand the acquisition's business. It also helps prevent the decision-making paralysis that can set in when managers don't understand the acquirers' expectations. In addition, autonomy motivates executives to do better. Many of the CEOs we spoke to felt lucky to have a parent willing to invest in them, and also a tremendous responsibility to deliver results.

Some emerging multinationals have placed one or two of their senior executives in the acquired organisation. The job of those executives is not to oversee or second-guess CEOs but to act as bridges. They also help the acquired company's executives understand the new boss—and vice versa.

Vision and values. Companies have traditionally been in no hurry to unify cultures and values following a merger. The "soft" stuff is tough to tackle, so executives usually focus first on generating synergies. By contrast, most emerging multinationals communicate values, ethics, and business philosophies immediately after a takeover. That's critical for this approach to work: Structural separation and operational autonomy deliver results only when an acquisition understands the parent's values.

In the Tata Group, for example, acquired companies must immediately sign and practice the principles enshrined in the Tata Business Excellence Model and the Tata Code of Conduct. Says Satish Pradhan, Group's Executive Vice President of human resources: "All the companies in the group must move ahead keeping in mind the Tata Group's philosophy and value system."

In the partnering approach, the corporate centre acts as the custodian of values and business principles, provides support services, outlines the broad direction for major sectors, facilitates best-practice sharing between companies, and monitors performance. The centre doesn't thrust practices on the acquisitions; it works collaboratively, helping top management teams appreciate the benefits and encouraging them to implement key practices. "When we acquire a company, we do not go in like conquerors," explains R. Gopalakrishnan, the Tata Group's Executive Director. "We go in with a collaborative mind-set and seek alignment in terms of our values."

Some companies create monetary incentives that help in

POSTMERGER APPROACHES AT A GLANCE

Five Key Differences

Partnering differs from traditional postmerger integration in five important ways.

	INTEGRATION	PARTNERING
Structure	Absorb acquired company	Keep acquired company separate
Activities	Integrate core and supporting activities	Selectively coordinate a few key activities
Top Executives	Replace	Retain
Autonomy	None, or very limited	Near total
Speed of Integration	Rapid	Gradual

Who Should Partner

Some companies are more suited than others to the hands-off approach.

	INTEGRATION	PARTNERING
What kind of resources does the acquired company have?	The same or similar resources	Complementary, superior, or unique resources such as brands or technologies
What will create value after the takeover?	Reduction of costs by combining assets and activities, or gaining economies of scale	Growth in revenues by entering new markets or new products, and sharing best practices
What kind of company is the acquirer?	Hierarchical, with a low tolerance for ambiguity; a desire to teach; an emphasis on getting results	Collaborative, with a high tolerance for ambiguity; a willingness to learn; a long-term player

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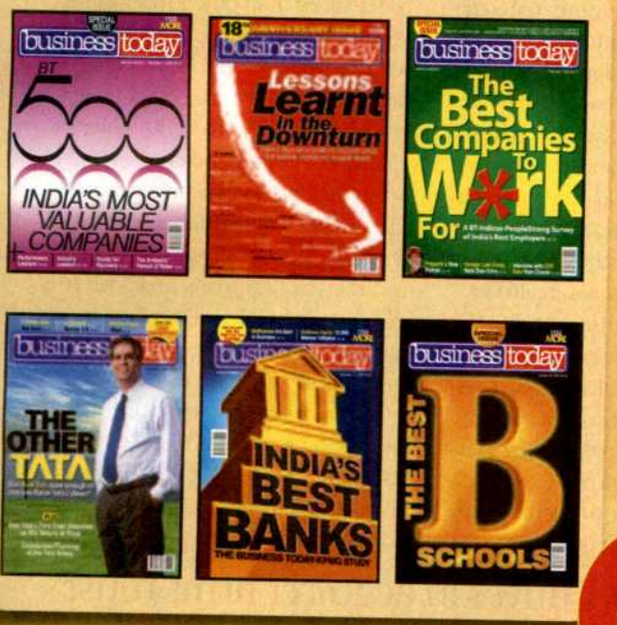

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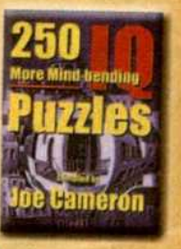

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achieving common goals, even when the acquisitions are structurally separate. For example, M&M initially took a majority stake in the companies it bought, keeping 51 per cent and leaving the remaining equity for the previous owners or offering it to managers through stock options. Later, it floated a publicly traded corporation that held stakes in all the acquired companies. Shareholders, including executives of the acquired businesses, received shares in that company in lieu of those they held. Not only has there been greater cooperation between those companies since then, but M&M has found that senior managers are now more likely to take into account the interests of all the companies in the group before making decisions.

Why Partnering May Be for Every Company

It's interesting to speculate about how broadly applicable the partnering approach is. After all, some of the drivers of the approach are more characteristic of emerging multinationals. One, they often buy companies that own powerful brands or state-of-the-art technologies and have strong management teams, so it's natural that they would retain their acquisitions' identities and management. Two, emerging multinationals' resources and those of overseas acquisitions are often complementary—not substitutable. That's why selective coordination has been enough to create value. Three, some emerging multinationals simply lack the capabilities to manage complex overseas integrations. Finally, the conglomerate management style that's prevalent in emerging markets predisposes these acquirers to the partnering approach.

Context is critical, but before you dismiss the partnering approach as another emerging-markets curiosity, be advised that some companies in the developed world have helped shape it. Cisco uses similar tactics to manage small entrepreneurial companies in which it invests, and Disney has done the same to get the most out of Pixar. The most striking prototype of the approach is, undoubtedly, the Renault-Nissan partnership. In 1999, when Renault acquired a 36 per cent stake in Nissan (which it later upped to 44 per cent), its senior executives emphasised that they weren't taking over the company. Although Renault did appoint Carlos Ghosn as Nissan's CEO then, it still saw the deal as a partnership that would maintain the two companies' distinctive practices and systems, yet allow them to capitalise on scale and synergy. Mutual respect for culture and individuality was paramount.

The two companies created several mechanisms to benefit from the union: an alliance board to decide policy issues and fashion strategy; deputations of some senior executives from each company to the other to oversee functions at which they excelled; and multitiered, cross-functional, and cross-company teams to identify areas of cooperation. Renault and Nissan shared best practices in product design, procurement, and manufacturing and, over time, consolidated chunks of their supply chain and manufacturing platforms.

> Senior executives in acquirer firms must be comfortable achieving goals through influence rather than control.

• • •

The partnering approach does have limitations. The benefits usually associated with the coming together of two companies are slower to materialise. For instance, because of the acquirer's non-intrusive nature, its capacity to achieve substantial cost reductions, especially by eliminating jobs and sacking employees, is limited. This approach, therefore, works better for companies that exhibit patience and have a relatively great willingness to take risks—a point that came up frequently in our discussions with senior executives, who noted that they are able to follow this approach because they're in it for the long run. Managers planning to use the practice should prepare stakeholders appropriately.

To conclude, some companies are better suited than others to adopt the partnering approach. Organisations with collaborative, inclusive cultures will have an easier time using the approach than companies with a hierarchical, command-and-control style. Senior executives in acquirer companies must be comfortable achieving goals through influence rather than control. The partnering approach requires leaders with a higher than average tolerance for ambiguity. Respect for new ideas is critical since executives must recognise the strengths of the acquired company and resist the urge to impose their way of doing things. These traits are encoded in the DNA of some organisations, but others will have to develop them. For instance, corporations that have experience managing strategic relationships with other businesses may have already acquired these skills. After all, the partnering approach embodies the best of both alliances and acquisitions. ⊙

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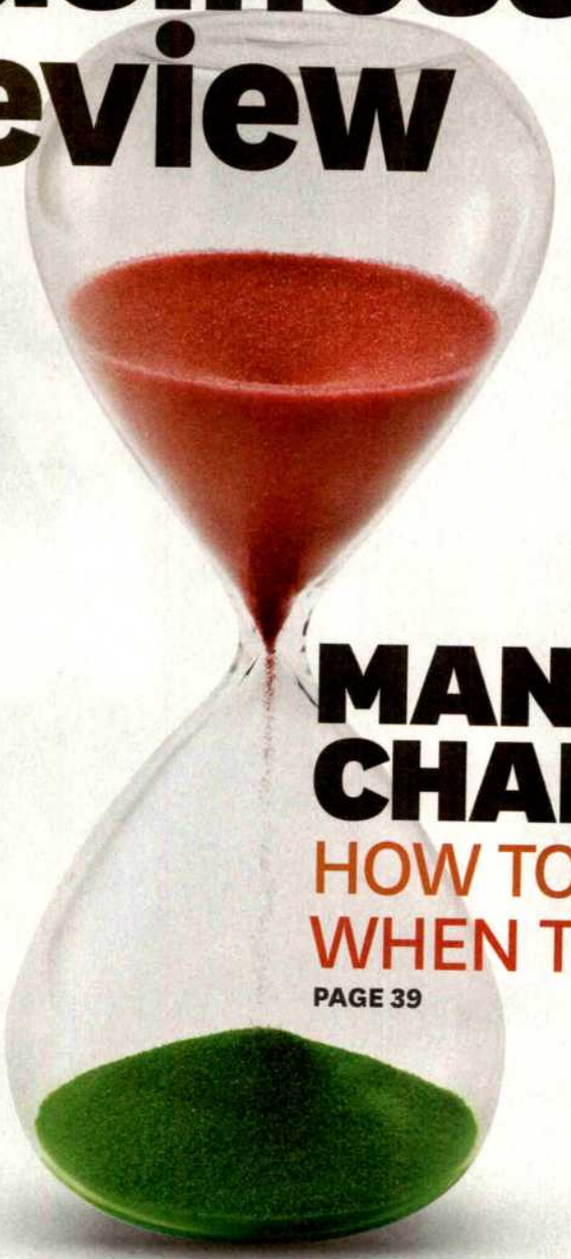

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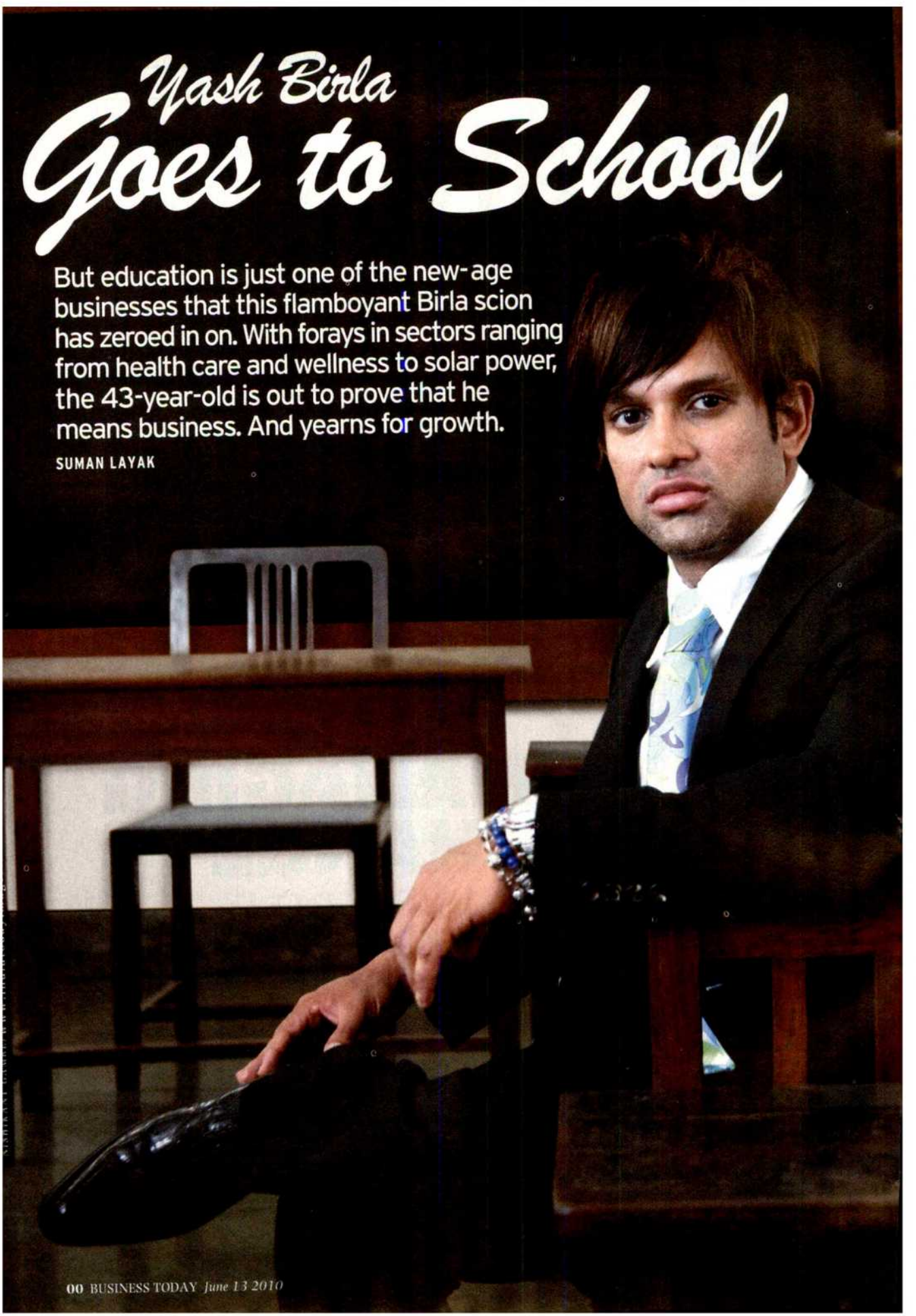
Yash Birla Goes to School

But education is just one of the new-age businesses that this flamboyant Birla scion has zeroed in on. With forays in sectors ranging from health care and wellness to solar power, the 43-year-old is out to prove that he means business. And yearns for growth.

SUMAN LAYAK



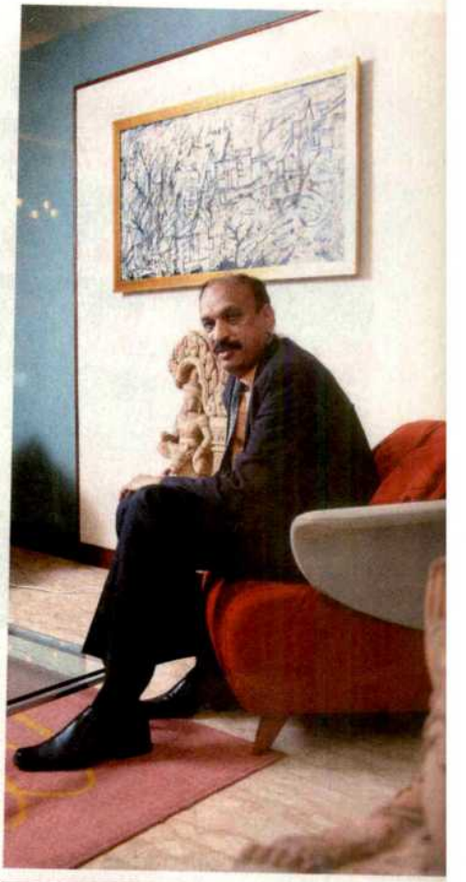
On the first floor of Dalamal House, Yashovardhan Birla, is referred to as "babu" by all. On a Friday, the head office of the Yash Birla Group at Nariman Point, South Mumbai's commercial district, turns into a sartorial melange with younger men and women in casuals—blue jeans, T-shirts or kurtis—in serious discussion with an older generation in formals and ties. The picture is of an organisation in transition—one that is as comfortable making and selling steel pipes, shell castings and cutting tools as it is blueprinting forays into more with-it sectors like wellness and lifestyle, solar power and education.

Change started sometime in 2004 for Yash Birla, who inherited the family wealth early and through misfortune. His parents Ashok Vardhan Birla and Sunanda Birla as well as his sister Sujata were killed in an air crash in 1990 when Yash was 23 years old. The extended Birla family pitched in to manage the diversified businesses of Ashok Birla. In 2005, Yash Birla met P.V.R. Murthy, then with the Sunflag Group, and asked him to join his group. Murthy joined as Director, Finance, and started the process of re-organising, bringing in fresh people and getting rid of dead wood. "In the first 10 years my relatives helped manage the businesses. However, in the end it was too many relatives handling too many things. Some companies were sick. It made no sense to the people, the managers. It was time everybody exited and I managed my own show," Yash Birla says.

The group also went through structural and cultural changes after Murthy's entry. "There was hardly any debt," says Murthy. "You need to borrow to grow and now we have debt of over Rs 1,000 crore (on an equity base of slightly more than Rs 1,000 crore)," he adds. Murthy started a re-structuring exercise wherein group companies were divided into verticals, some companies were merged, a few demerged, and a few sold. Ernst & Young were called in to do a report on health and wellness sector that the group wanted to enter. E&Y looked at opportunities and evaluated possible partners. By the end of it all, the group was reorganised into six clusters, with most of the traditional manufacturing companies brought under two verticals: Auto & engineering (including companies like Zenith Birla, Birla AccuCast, Birla Precision Technologies) and textiles and chemicals (Birla Cotsyn, Birla TransAsia Carpets).

Along the way, new opportunities, primarily in the services sector, were identified to propel the group on a different trajectory. The objective: A three-fold increase in the group's revenues to Rs 10,000 crore by 2013-14. Much of that growth will come from ventures in education, health and wellness, solar power, thermal power and textile retail where Birla plans to invest at least Rs 2,500-3,000 crore over the next three years.

With such a king-sized ambition, the immediate question that comes to mind is: Is the man serious? That question springs even quicker to mind when the promoter harbouring the ambition is Yash Birla—a man known more for his over-the-top dress sense, and an apparent obsession with the party highlife. Where's the time for balance sheets, spread sheets and business plans, you would be tempted to ask. In the last five years the old legacy businesses have grown by around 75 per cent in absolute terms and total profits have doubled—a performance that can't be called dismal but surely one that won't set the Ganges on fire. Hardly any of the group companies are tracked by analysts regularly. Says V.K. Sharma, Head of Business for Private Broking & Wealth Management at HDFC Securities: "The total market capitalisation of the group's listed companies is only Rs 500 crore. They are now investing in emerging areas. While the market is open for new ideas, the story will have to be that much more credible." He points to the Birla Cotsyn stock that had listed in July 2008 and is down almost 45 per cent today.

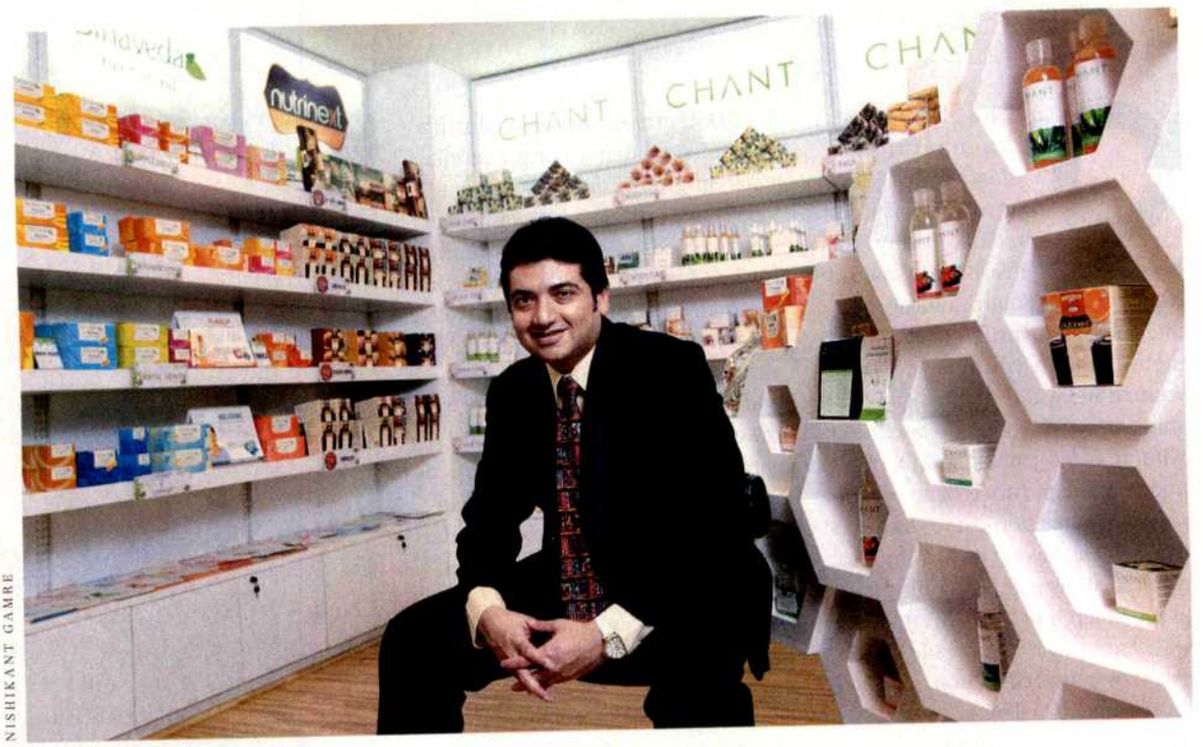


NISHIKANT GAMRE

P.V.R. Murthy

Group Director (Finance, Legal, HR, Strategy and Corporate Communication)

"Inorganic growth is part of our strategy and we will acquire companies that can be part of the vision that we have created"



NISHIKANT GAMRE

Devang Vyas

Group President, Corporate Strategy & Business Development, and Chief Group Coordinator, Birla Wellness

SUNRISE SECTOR: **Healthcare and Wellness**

INVESTMENT: **Committed Rs 500 crore so far**

STATUS: **Building a multi-speciality hospital in a joint venture with Apollo in Thane; Birla Pacific MedSpa is opening medical spas branded Evolve; Birla Kerala Vaidyashala (acquired this year) to have ayurvedic and destination spas; Birla Lifesciences to launch ayurvedic products under the Chant brand as well as Rebirth stores for retail.**

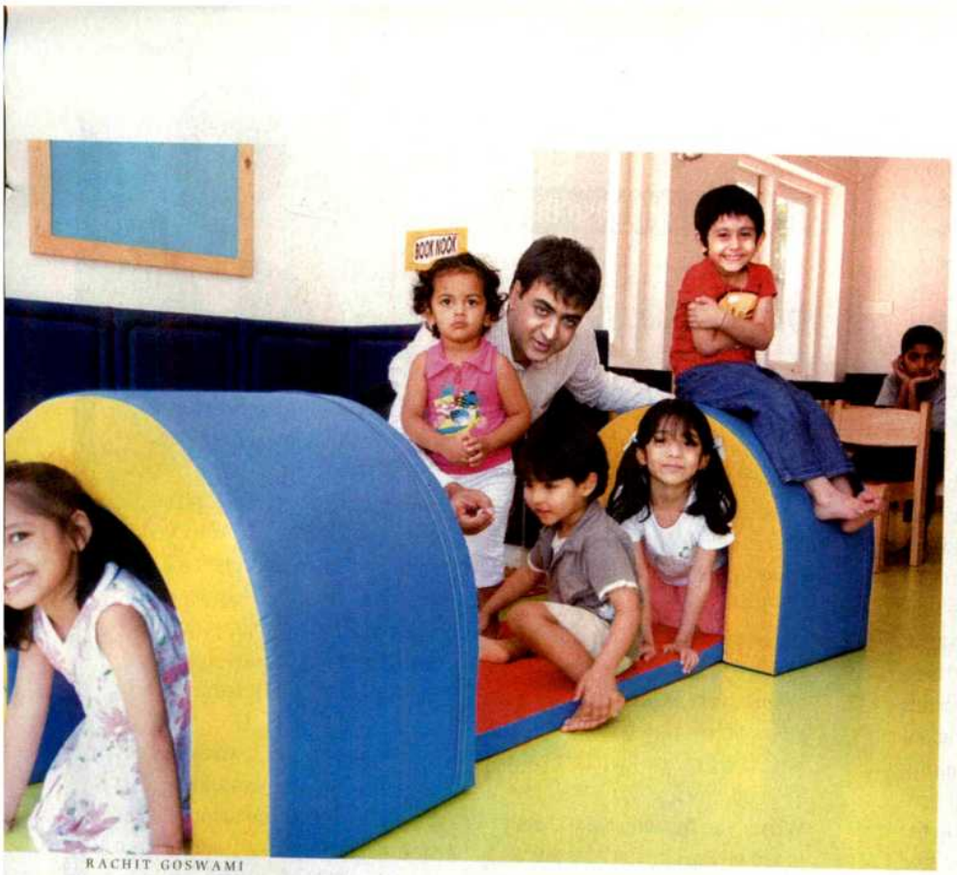
Also, if we compare the stock prices with those fives years ago then Birla Power is down 33 per cent and Zenith Birla is down 31 per cent.

Suggest to Birla that he is in a place where his heart isn't, and his reaction isn't one of displeasure. It's one of exasperation that the bohemian image persists. "I am not really worried about it (the image)," he shrugs. "My only indulgence may be my clothes—but that is for myself." If, by now, you're expecting some big "vision-mission" statements from the man, there aren't too many coming. "A vision cannot be mine alone—it has to be debated, it has to be interactive," Birla quips.

Yash Birla may not be known for his business bluster but don't mistake that for a lack of focus or hunger to excel. He agrees that parameters like market share and market value are important, but success for him is something deeper—almost spiritual—driven by the concept of dharma (duty). "I believe I was born in a business family for a reason, and it is my duty to excel in this role. I believe I have been given all this (the business) to fulfil a purpose and I am prepared to do that," says Birla. "Even if my emotions ever take me away from my goals, I think my conscience will override my emotions," he adds.

For now, his emotions are driving him to businesses that are closer to his personality, like wellness for instance. Whilst Birla admits that such ventures would be "getting more of my attention," it's the sheer prospects of those businesses—rather than personal tastes—that are driving such forays.

If medical spas and destination spas are on his drawing board, so are plans to generate solar power—50 MW in Andhra Pradesh and two 5-MW units in Rajasthan—and to also integrate backward, into making solar panels. Birla Surya, the company that will handle the solar power generating stations, is headed by Mohan R. Datari, a professional who worked in Singapore and came back to India when Murthy offered him this assignment. "We have built a team of 25 professionals over the past two-and-a-half years. We started long



RACHIT GOSWAMI

N. Srikrishna

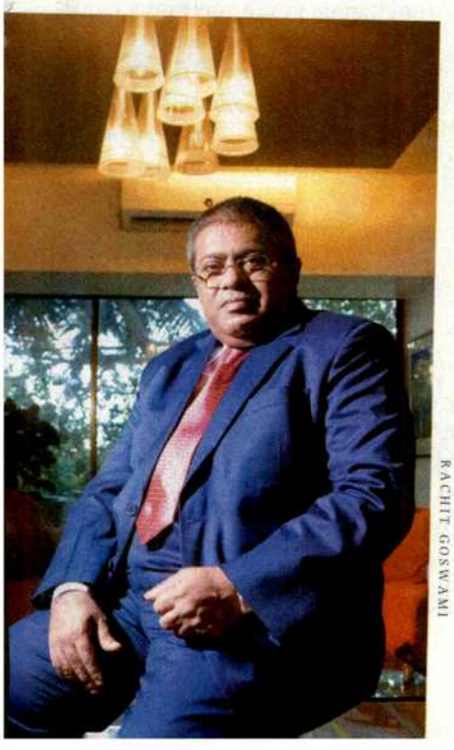
CEO, Birla Edutech and Managing Director, Birla Shloka Edutech

SUNRISE SECTOR: **Education**

INVESTMENT: **Rs 500 crore announced**

STATUS: Birla Edutech plans to open over 100 schools (Kindergarten to class XII) under the "Open Minds" brand across India; to start 20 teacher-training schools to train 20,000 teachers in 7 years; have a higher education institute by 2013; participating in the Government of Rajasthan tender for starting 50 schools; Birla Shloka Edutech to create and market educational software.

before the central government announced incentives for this industry and we will be the first to come up with large solar power plants by 2012," says Datari. A bigger investment (Rs 3,000 crore) has been planned for thermal power—the group has bought out a project with all its licences in Dhule district of Maharashtra and wants to start up a 300-MW plant by May 2012.



RACHIT GOSWAMI

Mohan R. Datari

CEO, Birla Surya

SUNRISE SECTOR: **Solar power**

INVESTMENT: **Rs 2,000 crore announced**

STATUS: Setting up solar power generating stations—two of 5 MW each in Rajasthan, and one of 50 MW in Andhra Pradesh. Planning 125 MW in three years at an average cost of Rs 15-16 crore per MW; plans afoot to make solar panels in Maharashtra. Acquired a quartzite mine in Andhra Pradesh.

Having professionals run the new businesses is clearly an imperative for Birla. The health and wellness foray is headed by Devang Vyas, an MBA from Stanford who worked for AT Kearney in the US before heading back to India four years ago. Vyas says that the health and wellness platform being built by the group will span from hospitals to destination spas. It will also have ayurvedic medicines, which will be sold under the brand name Chant, at the retail front end. The stores in which they will be sold will be called Rebirth. The group acquired a 51 per cent stake in Kerala Vaidyashala earlier this year and had formed a joint venture with Pacific Healthcare of Singapore to launch Birla Pacific Medspa in 2008. In addition, the Yash Birla Group has tied up with the Apollo Group for its first multi-speciality hospital in Thane on the outskirts of Mumbai, and such alliances may be the way to go for Birla in the health-care segment.

He is thinking big in education too. Spearheading these efforts is N. Srikrishna, CEO, Birla Edutech, who has been a consultant with the group for more than a decade and joined in 2007 to head this venture. The Yash Birla Group has a school—the Gopi Birla School—in south Mumbai, started by a foundation of the family in 1944. Birla is now seeking to build on this legacy by straddling the entire education spectrum that begins with playschools and could end with a university. The plan is to have 100 K-12 (KG to class 12) schools in the next three

years. The group is working around the current regulatory mandate that schools have to be run by non-profit trusts. It is therefore identifying partners who will create trusts and own the schools while the group will take over the management of schools through a management service. "In our second phase we will undertake school-transformation programmes. We will take over existing schools and run them according to our curriculum and systems," says Srikrishna.

Clearly, Birla has all the high-growth irons in the fire to prove that he's a biz whiz kid with mettle rather than just a party-hopping page three poster child. Much, however, depends on how he and his core team go about executing the strategy. Fund-raising will be crucial, too. The group generated just Rs 125 crore in cash in the last fiscal; it is also fairly leveraged with the debt-equity ratio around 1:1. Market appetite for a public issue from a group that's not on the radar of most investors is a matter of conjecture; and although there have been parleys with private equity investors nothing has materialised yet.

Those who work closely with Birla swear by his leadership style. Vyas, who is also Group President for Corporate Strategy and Business Development, is encouraged by the fact that he can get into one-on-one debates with Birla over business decisions and what the group can do and what it cannot. Adds Birla's Man Friday, Murthy: "I have worked with a lot of promoters who say they do not want yes-men around them, but not many are really true to their words. Mr Birla is open to changes. He is open to ideas and if we give reasoned argument he is even ready to change his views." At 43, with a highly-charged team behind him and exciting prospects for his new fledglings, the years ahead will offer Birla the best opportunity to prove that he is not just another inheritor who lost his way.

Interview with Yash Birla

"Manufacturing is Our Tradition, but Services is the Future"

Yashovardhan Birla *or Yash Birla is one of the easily recognisable faces in India today, thanks to coverage by the page three media. His hairstyle and choice of clothes have often defined his public persona. Much less discussed are his business philosophy and his leadership style which, contrary to perception, do exist.* BT *met Birla to discuss his business moves and the future for his business inheritance. Excerpts from the interview:*

What's the thinking behind your group taking up new businesses over the last one year?

We have been a diversified group through the '80s and '90s. We had paper and steel and pipes and cotton ginning. Diversification was a way to hedge risks but globalisation changed all that and narrowed the concept of diversification. We are still much diversified and our businesses are divided into six different sectors. One is power—solar, thermal and gensets. Then there is health and wellness, education, textiles (cotton ginning to retail), auto-engineering, and infrastructure.

How much will you invest and how will you finance your new ventures?

We have earmarked Rs 5,500 crore for power. The other areas are seeing smaller investments, like Rs 500 crore each, in education and health. A lot of this will be funded through internal accruals, through debt as well as my personal funds. We will go public with some companies or raise money through follow-on public issues. We might even do GDR issues for some. For instance, for Birla Lifesciences (which manufactures ayurvedic products), I would like to see an IPO next year. There has been a lot of interest from private equity funds in our group—in solar power, health and education—but I am waiting for the right value.

You are moving a lot towards services like education, wellness and retail. Is that the direction you want to take?

Manufacturing is the tradition, but services will be the future. But tradition also has to be tied in with the future. So we are looking very closely at (manufacturing) businesses. I had a proposal for a cement plant but we did not go into it.

How do you define your role in the business now?

My role is to create a vision and my contribution is more on strategy. While I am more hands-on in the newer businesses, like education and wellness, I allow professionals to handle the execution, especially in the older businesses that have matured.

Does your page three image distract from your business objectives?

I am not worried about the image. It's just that I am at some events that I am invited to and then the photographs keep appearing for over a month in the media. I do not smoke or drink. I hate eating out and my only indulgence may be clothes. I believe that I was born in a business family for a reason and it is my duty to excel in this role. ⊙

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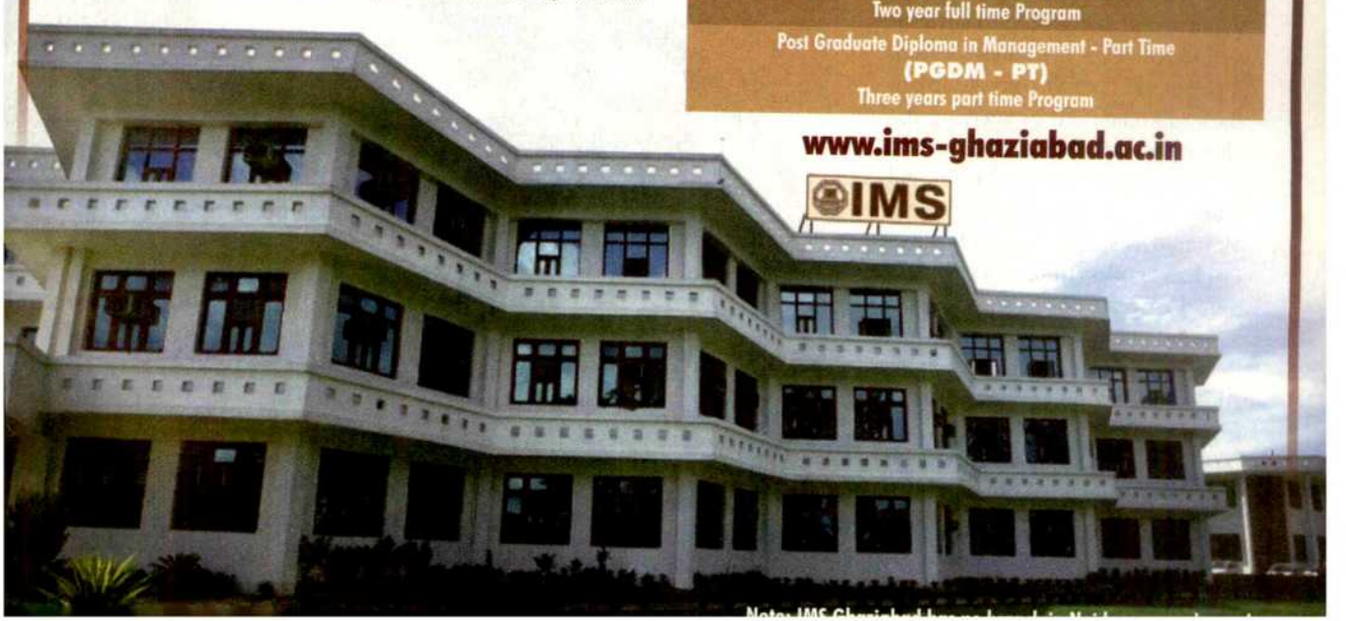
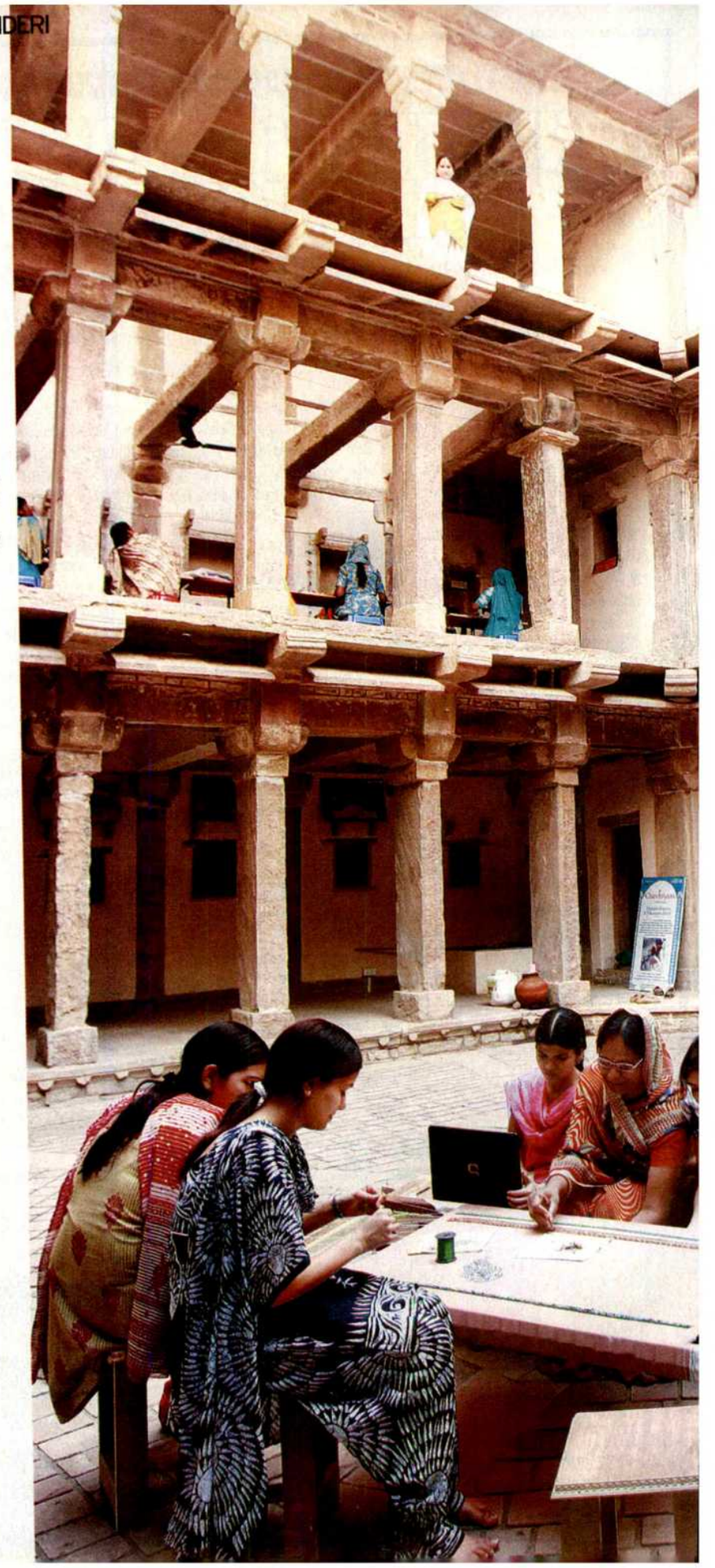


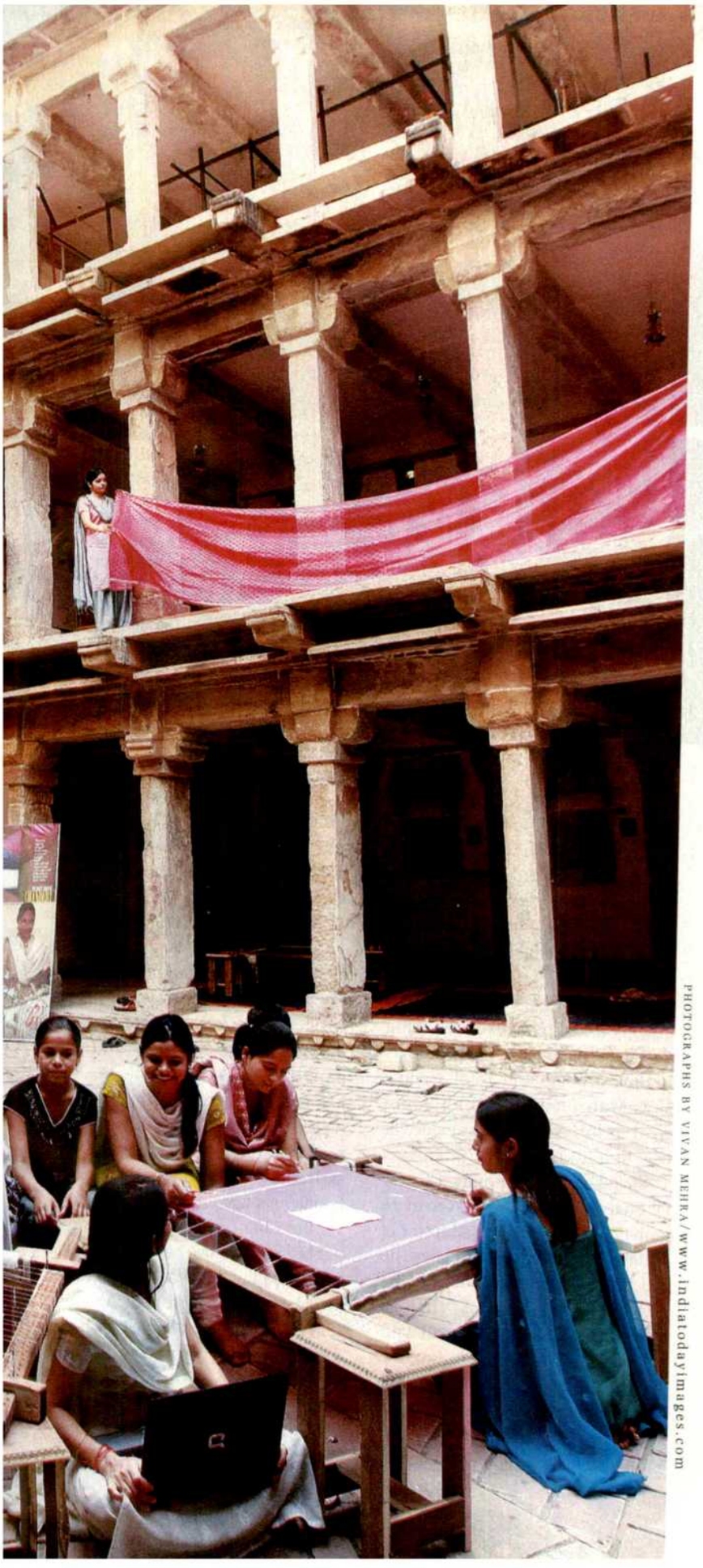
A NEW OLD FABRIC

An ancient town weaves technology into tradition to give the Chanderi fabric a new future. PUJA MEHRA



Most tourists give the town a miss even though it probably has monuments that are more ancient than those at Delhi or Agra. But the weavers of Chanderi, a town within a crumbling fort 640 km from Delhi, are not worried about tourism: If the world doesn't come to them, they will reach out by reviving the almost-lost art of the Chanderi sari.

Home to the Bundela Rajputs and Malwa Sultans and later a base for Mahmud Khilji, this town in Madhya Pradesh gets less than 1,000 foreign tourists a year, but its saris, almost as fine as onion skin, are still a prized item in trousseaus of rich Indians. Although originally made entirely from fine cotton, Chinese silk crept into the warp of the fabric in the 19th century (today, it is Korean silk). It



PHOTOGRAPHS BY VIVAN MEHRA/WWW.INDIATODAYIMAGES.COM

The art of making Chanderi saris is well and truly alive inside the Raja Mahal

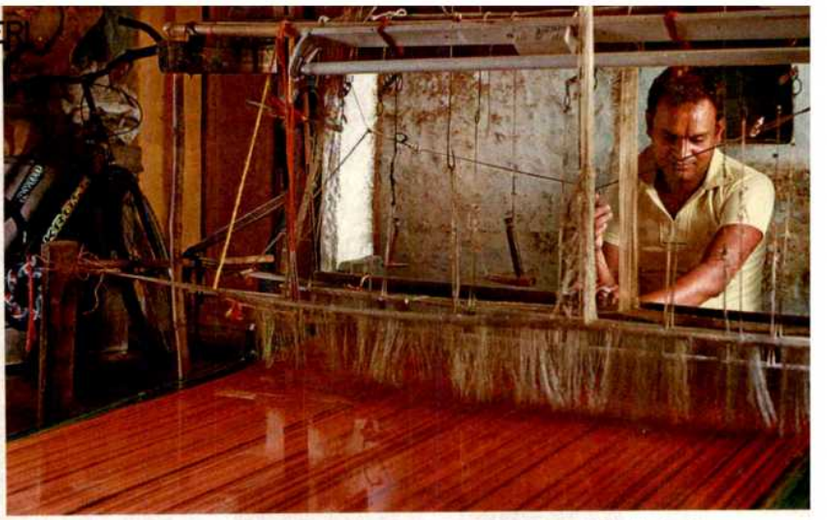
requires weeks of labour by a weaver's family to make one sari, and technology in the form of power looms nearly killed the art with quick imitations.

Almost straddling ancient trade routes passing through central India, but far from markets, Chanderi's weavers had always lost out to middlemen. Today's generation had begun opting out of the weaving tradition.

Till that is, Jyotiraditya Scindia, the young Member of Parliament representing Guna, where Chanderi is located, decided to get help to restore the Mughal Fort within which the town is nestled. Scindia, who the locals call Maharaj, owns a splendid family *kothi* (mansion) in the fort, once part of his family's domain. As Minister of State for Information Technology and Communications in the first United Progressive Alliance or UPA government, he roped in a non-governmental organisation, Digital Empowerment Foundation (DEF). Armed with a grant of Rs 1.5 crore, DEF's Project Chanderiyan is bringing the old and the new together, and has given hope to the young weavers on the verge of quitting.

Chanderiyan is not just about technology. Conceptualised and managed by DEF, it addresses four issues: Preservation of the craft, educating the weavers and their children to tackle the marketplace on their own (which means learning English and tailoring for putting the fabric to newer uses), use of computers in designing, and digitising the archives of the traditional designs.

Chanderi's 3,500 weaver families no longer restrict themselves to just making saris, but will soon learn how



(Clockwise from top left)
Girls block printing a sari
A weaver at work
The Chanderiyan centre inside the restored Raja Mahal within the Mughal Fort
The Mughal Fort at night

to reach out to markets. "We will withdraw in a couple of years after the community becomes self-reliant," says Osama Manzar, Director, DEF.

Step into the Chanderiyan centre inside the restored Raja Mahal within the Mughal Fort, and the change strikes you immediately. This former palace of queens and consorts has become a school for weavers and their families, where they learn how to work out designs with computers. The time taken to create new designs has shrunk from weeks to days and the library is rapidly growing.

"I just keep thinking of new designs all day," says 48-year-old Anwar, now the proud owner of a digitalised portfolio of hand-me-down designs he inherited on paper. His son Furqan has just bagged the order for the official Commonwealth Games scarf's design.

Other classes are on tailoring, block printing and embroidery, so that Chanderi can add value to its traditional sari. Chanderiyan's Director, Shahid Ahmed of DEF, is putting up a portal on which the community will take orders directly and cut out the go-betweens. "The weavers can't access the market directly, so the portal will enable buyers to get them," he says.

"The Planning Commission has already asked us to explore taking the Chanderiyan model to silk weavers in Bihar, Assam and Tamil Nadu," says Manzar. India's handloom weavers turned in produce valued at over Rs 43,000 crore in 2007.

Scindia's plans for market access for Chanderi's weavers are even more ambitious. Currently the Minister of State for Commerce and Industry, he believes Chanderi can make it to the Gwalior-Agra-Jaipur circuit. "The Raja Mahal is now a live monument with potential for community tourism," he beams. "If the weavers can't reach the world, we will bring it here."

Meanwhile, the government has secured GI or geographical indicator protection for Chanderi fabric under the Geographical Indications of Goods (Registration and Protection) Act 1999. Chanderi was the first to get GI protection, which ensures that only saris made here in the distinctive tradition can carry the name Chanderi.

Mohamad Wasim, a 25-year-old weaver at the project centre, and his family used to earn Rs 4,000 per month from its two handlooms till just two months ago. Chanderiyan helped raise it to Rs 7,500. The town produces around Rs 65 crore worth of saris, but 90 per cent of the 3,500 families get around Rs 1,500 each.

But Chanderi's new journey has just begun: The town has 3,500 looms, mostly equipped with the Jacquard punched-card reader, an 18th century device that later formed the basis for programming and data storage media on early computers. Technology has come full circle: Today, it is the personal computer that is turning out designs for the Chanderi. ⊙

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WELCOME TO KARNATAKA

The knowledge hub of Asia - Karnataka is recognised by investors as an undisputed investment destination worldwide. The state has the third-highest FDI inflow in India, positive investments and conversion ratios, proactive sectoral and investor friendly policies, a vibrant ecosystem for the industry with skilled manpower, strong hub for R&D, pleasant weather for ample tourism opportunity, expanding infrastructure SEZs, and sector based centres and parks – all that is quite appealing to the Global Investor," says Chief Minister B.S. Yeddyurappa.

An icing to the world recognition Karnataka enjoys, the World Bank recognised it as a state with the most positive business environment and the best place to live and work.

Murugesh R. Nirani, the State Minister for Large and Medium Scale Industries, further explained, Karnataka's economic growth across 12 sectors, including IT, BT, Aerospace, Machine Tools, Sericulture, Floriculture, Coffee and Gold, has been rapid and on a steady ascent. And as we see, none of its 30 districts has remained untouched by the phenomenon."

For a State on a definite high, Karnataka's data does the talking. Over 700 MNCs and 87 Fortune 500 investor companies in the state, one new entrant from across the globe every week; an emerging leader in the steel, cement, and food processing and textile sectors; over 103 R&D centres; 19 universities; 153 engineering colleges; 33 Medical colleges; 39 dental colleges, and 1,003 industrial training institutes turning out 'ready-to-hire' skilled personnel.

The Global Investors Meet, therefore, draws on these very strengths that grant the state an astute, mature and undisputed position internationally. Why is Karnataka called the Knowledge Hub of Asia? Because, along with the first-mover advantage that Karnataka has over sectors, including information technology, biotechnology, nanotechnology, aviation, machine tools and construction equipment, defence technology, knowledge and business process outsourcing and clinical research are some qualities that make it Advantage Karnataka.

A meltdown fallout, as iron ore prices declined post May 2008, a number of mining companies got into steel production in Karnataka. The drop in demand for iron ore from China, which accounts for over 90% of India's iron ore exports, led the industry to explore other markets such as Japan, South Korea, Pakistan, Turkey and the UAE. Cases in point: Xinxing Group and China National Metal entered into a JV with Indian partners for an iron ore pellet plant at Koppal. Similarly, a Bellary-based iron ore mining company has set up two iron ore beneficiation plants in the district, with an aim to utilize the iron ore fines as the basic raw material for its pellet plant at Koppal.

In a way, the Global Investors Meet in Karnataka is celebrating the post-meltdown high-five India got from the world. As the congratulatory notes continue, the state is making the best of the resource pool it has. The meet is unprecedented, focusing on its inherent qualities – proactive policies, rich human and natural resources, rapid development across sectors and districts, and living and working standards worth aspiring for. The meet will help investors and FIs decide their areas of interest, link them with the opportunities the state has to offer, and deliver to them professional acumen across sectors.

The Global Investors Meet 2010 will be held in Bangalore on June 3rd and 4th.

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Karnataka's Infrastructure Advantage

1. Economic Survey data Feb 2010, indicates Karnataka as No.1 in PPP infrastructure projects.
2. Portfolio of 87 PPP infrastructure projects.
3. PPP cell under IDD as the nodal agency to channelize investment into the State in Infrastructure through PPP. It would assist Line Departments and investors in all phases of Project Development.

Projects on Offer

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- Road Network : Index to improve from 1.07 Km/SqKm to 1.5 Km/SqKm with a capacity addition of 10,000 Km by 2020 : Roads (about 1000Km) of Rs. 3500 Cr on offer.

Railway projects of (629 KM) Rs. 4028 Crores to improve connectivity to ports, industrial zones - 4 Projects on PPP.

Devanahalli Business Park to be taken up by the side of Bangalore International Airport.

- Ports : Two Greenfield Sea Ports one at Tadadi (35 MT expandable to 114 MT, Cost - Rs. 3,000 Crores), Haldipur (19MT - Swiss Challenge Project Cost Rs. 2,000 Crores) - to serve the Cement, Steel and Auto regions.
- Logistic Park for Transportation, Storage and Logistics in Bangalore
- Monorail Project in Bangalore - 2 nos, Project 1 - 31 Km Cost Rs. 5,600 Crores) Project 2 - (Swiss Challenge - 15Km, Cost Rs. 2,400 Crores) to serve as feeder to Metro.
- VADA - Industrial Infrastructure to be taken up in 3 phases at Bellary
- Intermodal Terminal HUBs in Bangalore (6 in Bangalore + 1 in Mangalore) to provide seamless interchange between different modes
- Airports : 13 Airstrips with an investment of Rs. 400 Crores. Airport access within 100 Km
- Bangalore Metro Phase II on PPP

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Karnataka Power Corporation Ltd.

Karnataka-a pioneer in industrialization and generation of electricity. Statesmen like Sir Seshadri Iyer and Sir M.Visvesvaraya gave an impetus to hydel power generation as early as 1898 and 1948. After formation of Karnataka State in 1956, earlier known as Mysore, the State continued to establish hydro power projects. In 1970, long before the country even thought of unbundling of power sector, the then Karnataka Government created a specialist generation Corporation.

Karnataka Power Corporation Ltd., began its historic journey from 20th July 1970 and scripted many path breaking achievements in the power sector. Among the least cost power producers in the entire country, with generation capacity of about 6000 mw, encompassing hydel, gas, thermal, wind and solar projects, KPCL is not the one to rest on its laurels.

We aim to double the capacity in the next 3-4 years through several new projects within the State and outside the State (please see table).

PROJECT	CAPACITY IN MW
Coal-based Thermal	4700
Hydro	755
Wind Farm	39.75
Gas-based Thermal Plant	3500
Total	9014.75

The projects offer the prospects of increased power availability to Karnataka, as well as opportunities for participation for corporate sector foot print in power sector. Unlike other developers, KPCL' s projects are all grounded and work has commenced.

The vision of Karnataka Power Corporation Ltd. is to be a dominant generation company, providing energy security to Karnataka and setting a powerful bench mark for other developers in the sector. In the next 5 years KPCL will emerge as the key utility with expertise in hydel, thermal (both coal & gas based), wind and Solar energy. Its initiatives will spark a power revolution in the State.

WELCOME TO THE FUTURE - KARNATAKA

Karnataka - India's eighth-largest State, both in terms of area and population - is well and truly one of the nation's most progressive industrialized State, with an illustrious history of successfully implementing several industrial and technological initiatives.

Today, the State is driving domestic growth, crafting careers and creating wealth through a potent mix of resource based, skill based, technology and knowledge based products and services. Karnataka has an enduring tradition of tapping technology to trace a steady growth curve across diverse sectors of the economy - earning the enviable tag of being the most technology savvy State.

A congenial industrial ambience, salubrious climate, excellent labour relations and more importantly, skilled manpower has been instrumental in attracting investments to Karnataka. The State has been quick in responding to the growing infrastructure needs and is continuously upgrading investments in infrastructure with several mega projects underway and many in the pipeline.

Integral to the Karnataka scenario is the investor friendly policy framework and carefully devised support mechanisms to promote investments. Investors can rest assured that they get the best of services, facilities and assistance from the very beginning to the implementation of their projects - thanks to structured and simplified procedures.

Economic resurgence, buoyant markets and burgeoning demand translate to a scenario brimming with immense possibilities for growth and wealth creation. Now is the time - to ride the crest of a wave full of advantages.

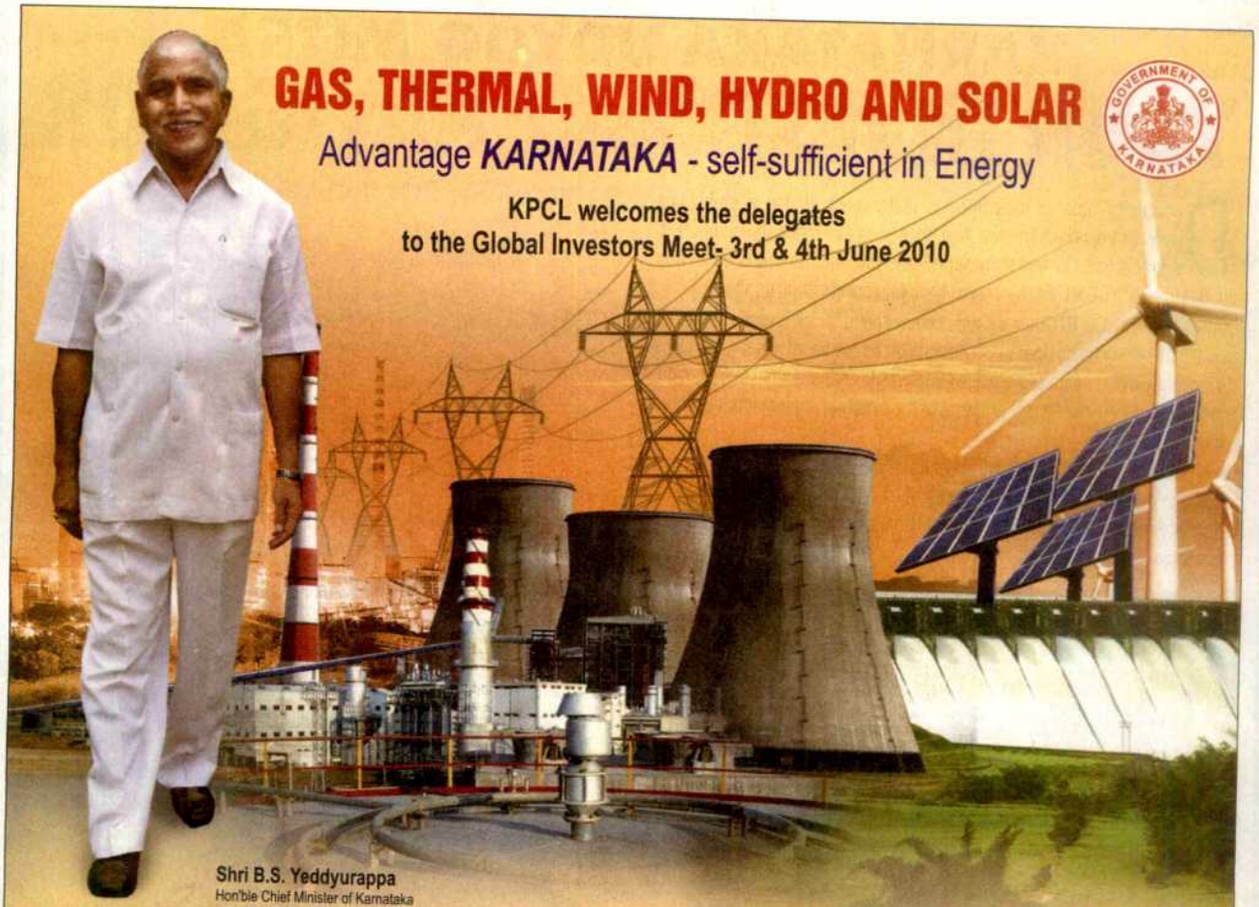
Karnataka - opportunity beckons like never before!

ONE GLOBAL COMPANY MOVES INTO KARNATAKA EVERY WEEK

GAS, THERMAL, WIND, HYDRO AND SOLAR

Advantage *KARNATAKA* - self-sufficient in Energy

KPCL welcomes the delegates to the Global Investors Meet- 3rd & 4th June 2010



Shri B.S. Yeddyurappa
Hon'ble Chief Minister of Karnataka

KARNATAKA's pride, India's asset - KPCL, a commanding presence in the national power sector

in India, Karnataka has emerged as an undisputed investment destination for investors worldwide, offering vast business opportunities across sectors.

Karnataka Power Corporation Ltd. was established on 20th July, 1970 to implement power projects and meet the energy requirements of Karnataka. In its decades of existence, it has diversified into a multi-energy generation utility with hydel, thermal, solar and wind power generation projects. Its present installed capacity of 5745 MW comprises 3637 MW of hydel, 1970 MW of coal-based thermal, 128 MW of diesel 6 mw of solar and 4.55 MW of wind. It has been a path breaker and has created several benchmarks in the construction, operation & maintenance of power projects in the country.

The Karnataka Power Corporation Ltd. (KPCL), has been a prime mover and catalyst behind key power sector reforms in the State. Backed up by KPTCL & ESCOM's for transmission & distribution. KREDL for promotion of renewable energy. PCKL for prompting for development of power projects.

The futuristic outlook of the Karnataka Government has made its capital, Bangalore a global brand.

Karnataka's Energy Advantage:

- Pioneer in green energy.
- The first state in the Country to have a Renewable Energy Policy. It has made rapid strides in the wind Energy, Small Hydro, Co-generation and Biomass.
- Has a competitive advantage for Smart Grid with the backing of the numerous IT companies in the State.
- The Central Power Research Institute (CPRI), JSW Energy Center of Excellence, Power Systems Training Institute (PSTI) and a host of educational institutions bring in skilled man power to the Energy Sector.

Take advantage of this opportunity at the Global Investors Meet 2010, interact with various departments, network with other investors and set the stage for a new chapter in your business.

Other focus sectors

• Infrastructure • Tourism • IT & BT • Textiles • Health • Food Processing • Automobile • Aerospace • Tourism • Education • Micro & Small Enterprises • Minerals

A bouquet of powerful projects

As on date, KPCL meets around 60% of the electricity consumed in the state. With demand growing exponentially, it has been entrusted with the task of adding 9000 MW capacity with a total financial outlay of Rs. 40,481 crores.

The break-up of New Projects is as below:

Project	Capacity in MW
Coal-based Thermal	4700
Hydro	775
Wind Farm	39.75
Gas-based Thermal Plant	3500
Total	**9014.75**

KPCL is already implementing the following projects which are under advanced stages of completion:

Project	Capacity in MW
RTPS Unit-8	250
BTPS Unit II	500
Solar PV Plant in Raichur	3
Up gradation of NPH Units 4&6	30
Total	**783**

DEPARTMENT OF ENERGY
Government of Karnataka
E-mail: energy@karnatakaindustry.gov.in
Website: www.karnatakaindustry.gov.in

Karnataka Power Corporation Limited
Shakti Bhavan, 82, Race Course Road,
Bengaluru-560 001
Website: www.karnatakapower.com

KREDL BESCOM MESCOM HESCOM GESCOM

3rd-4th June 2010 - Bangalore, India
Advantage Karnataka
GLOBAL INVESTORS MEET
One State, Many Opportunities.

Corporate Communication/05/10

Abundant Power, Prosperous Karnataka - KPCL's Aim

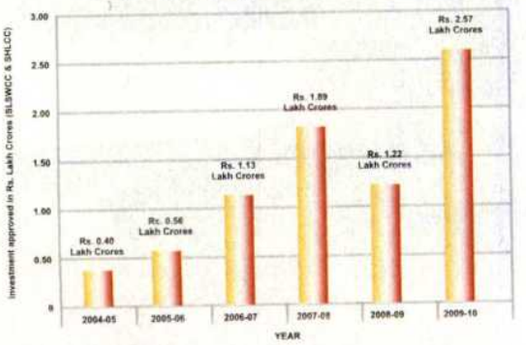
KARNATAKA UDYOG MITRA
YOUR INVESTMENT NAVIGATOR

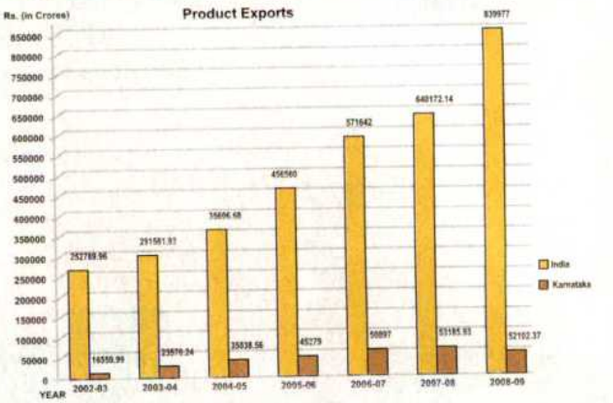
Deciding to make an investment is pretty much similar to embarking upon an important journey. Well once you have made the crucial and wise decision to invest in Karnataka, you need to touch base with KARNATAKA UDYOG MITRA, before you book your tickets to set up shop.

KARNATAKA UDYOG MITRA is a single contact point for all investors who are looking at setting up businesses in Karnataka. As the nodal agency, its role is to facilitate investments and execute initiatives to enable a smooth transition, from receiving an investment proposal to the eventual implementation of the project.

At KARNATAKA UDYOG MITRA, we understand your need for a well chalked out plan and a clear road map to reach your destination with precise and user-friendly directions. We have been providing the crucial direction and guidance for scores of investors for the last 15 years.

Investment Approvals in Karnataka





A clear road map – so that you can plan and get ahead

Prepare for an investment outlay of above INR 3 crores or USD 0.7 million.

- Contact KARNATAKA UDYOG MITRA at www.kumbangalore.com
- Discuss and deliberate on a suitable location and finalize.
- File your application directly or through e-form from our website with the relevant project report.
- Appear before the single-window committee for approval and sanction of facilities. Apply for allotment of land and all statutory registrations and clearances through KARNATAKA UDYOG MITRA.
- Implement your project.

We assure you, you will discover that the process is plain and simple.

KARNATAKA STATE FINANCIAL CORPORATION
YOUR PARTNER IN PROGRESS

Sri B.S. Yeddyurappa
Hon'ble Chief Minister
Govt. of Karnataka

KSFC, a robust and professionally managed State Financial Corporation, is a fast track term lending financial institution that has assisted over 1,62,000 units with Rs 9,700 crore over the last 51 years in Karnataka.

Established in the year 1959, KSFC has extended credit to several major sectors that include Infrastructure, Manufacturing, Healthcare, Hospitality, Transport and Mining amongst others, adequately catering to their long-term financial needs.

KSFC has played a pivotal role in the promotion of Micro, Small & Medium Enterprises, development of backward areas and first-generation entrepreneurs in the State of Karnataka. Some of the KSFC assisted units are Infosys, BIOCON, MTR, BPL, Ace Designers and many other successful SMEs of Karnataka.

Achievements for the Fiscal Year 2009-2010 (Rs. in crore)

- Total sanctions of 631.49/Cumulative of 9733.26
- Total disbursements of 434.39/Cumulative of 7647.84
- Total recovery of 555.26/Cumulative of 10217.48

Flow of Assistance (Term Loans)–Fiscal Year 2009-2010 (Rs. in crore)

- Small Scale Industries - 287.66 to 892 cases/Cumulative 5009.58 to 1,05,410 cases.
- Medium Scale Industries 22.56/Cumulative 883.94 to 1662 cases.
- Others (excluding SSIs & MSIs) - 321.27 to 558 cases/Cumulative 3132.18 covering 52,059 cases.
- SC/ST Entrepreneurs – 83.63 to 247 cases/Cumulative 315.38 to 18690 cases. Weaker Sections/Backward Districts – 321.83 to 978 cases/Cumulative 4091 to 1,16,074 cases.
- Women Entrepreneurs - 165.66 to 312 cases. Cumulative 1562.61 to 27472 cases.
- First Generation Entrepreneurs - 260 to 650 cases/4485 to 81890 cases.

Management of Non-Performing Assets (Rs. in crore)

- Net NPA percentage for 2009-2010 pegged at below 5% in 2009-2010 as opposed to 9.71% in 2008-2009.

Capital Structure (Rs. in crore)

- Government of Karnataka – 613.76 with a 94.08% Share.
- Small Industries Development Bank of India – 38.38 with a 5.88% Share.
- Others (Banks, Insurance Companies, etc.) 0.26 with a 0.04% Share.

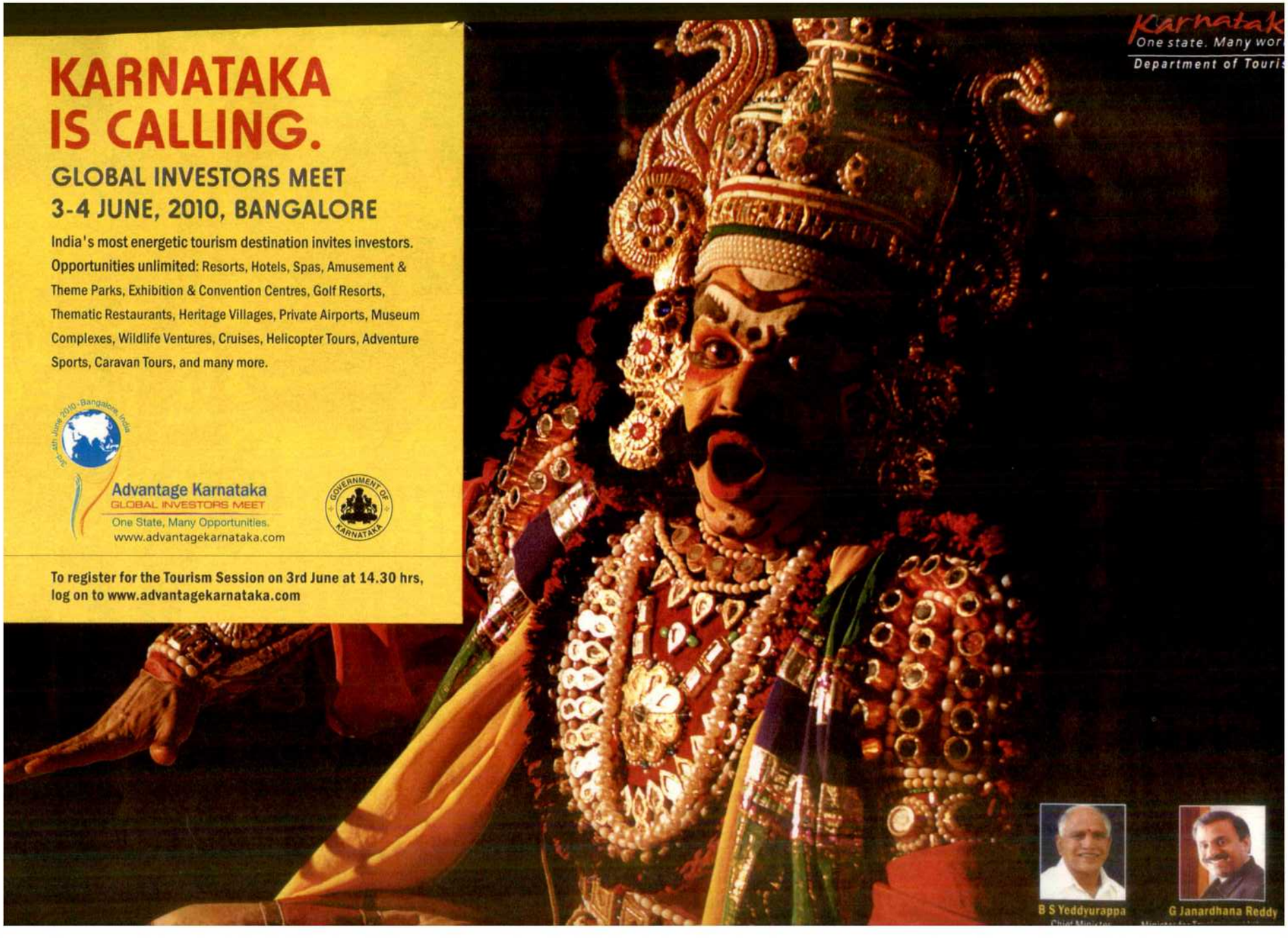
The working of the Corporation for the Fiscal year 2009-2010 resulted in an operating profit of Rs. 6.00 crore (provisional).

KSFC has an established reputation as a Financial Institution that goes 'the extra mile' in assisting its valued clients in all their business ventures, both current and future.

We welcome investors from all over the globe to Karnataka, and we assure our best personalized services in helping you successfully take your projects forward.

We remain, truly, your 'Partner in Progress'

Kaushik Mukherjee, IAS
Chairman & Managing Director


KARNATAKA
IS CALLING.
GLOBAL INVESTORS MEET
3-4 JUNE, 2010, BANGALORE
India's most energetic tourism destination invites investors.
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Advantage Karnataka
GLOBAL INVESTORS MEET
One State, Many Opportunities.
www.advantagekarnataka.com
To register for the Tourism Session on 3rd June at 14.30 hrs, log on to www.advantagekarnataka.com
Karnataka
One state. Many wor
Department of Touri
B S Yeddyurappa
G Janardhana Reddy

COME, INVEST IN KARNATAKA AND GET THE ENERGY ADVANTAGE

Ms.G.LATHA KRISHNA RAO
Managing Director
Karnataka Power Transmission Corporation Ltd.

KPTCL creates powerful opportunity for investment in power sector by effectively transmitting power from the generator to distribution companies with the least transmission loss in the country.

As a first step towards smart grid KPTCL has implemented SCADA which enables control and data acquisition for load and energy management of 1250 substations and 23 major generating stations scattered across the State.

KPTCL has a unique communication facility through its own V-Sat network. It enables real time data acquisition for energy auditing, energy billing and availability based tariff (ABT).

For the first time in South India 765 KV Substations are coming up in the State at Raichur and Tumkur. KPTCL has handled 42900 MU of energy with the peak load of 6897 MW during 2009-10.

During next five years State has planned to add 17000 MW capacity and KPTCL is strengthening its network effectively to handle this quantum of power with the least transmission loss. In the IT City of Bangalore KPTCL is introducing seven Gas Insulated Substations of both 220 KV and 66 KV class to manage the high density of the City.

KPTCL is also building infrastructure to promote SEZs, IT&BT parks, Aerospace, Textile parks etc.

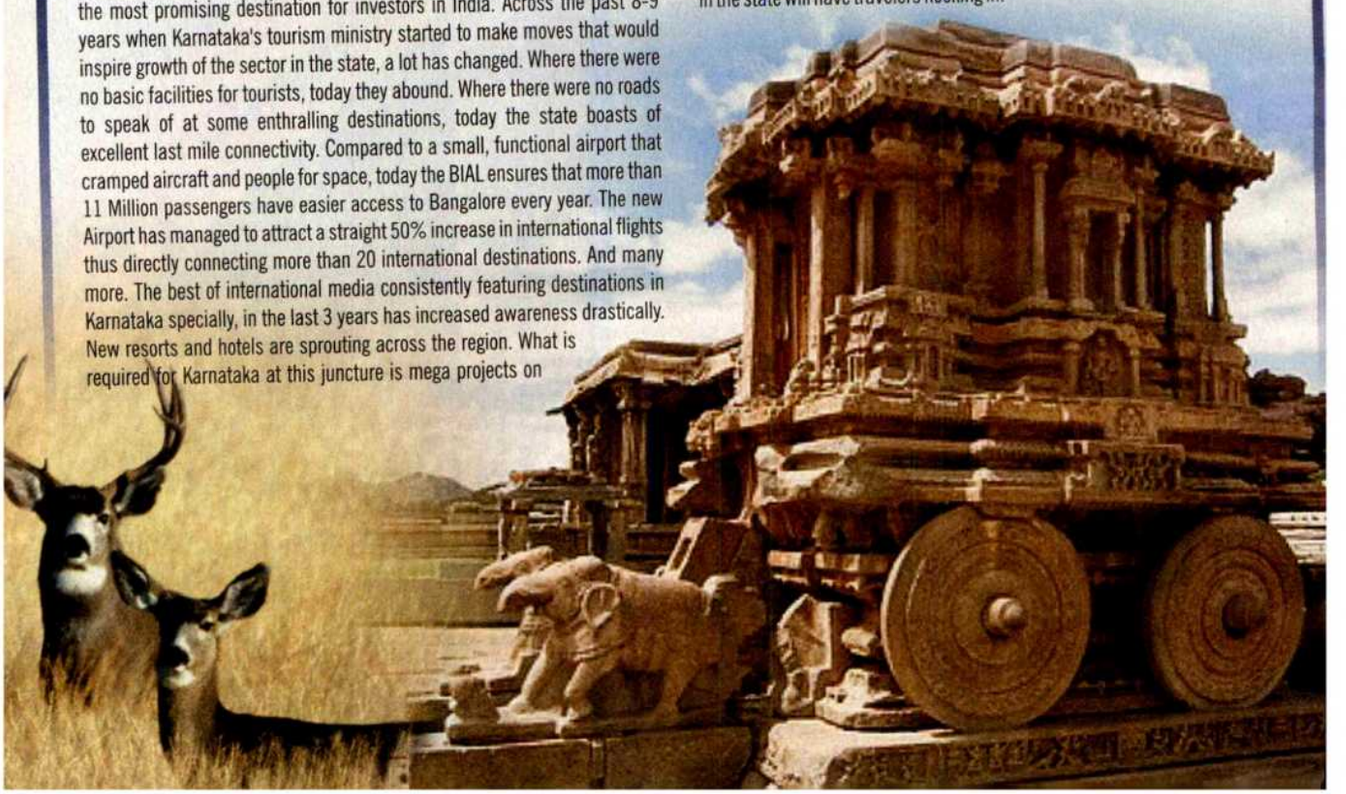
Karnataka being pioneer State in harnessing Green Energy, KPTCL is also in pace with developing necessary evacuation infrastructure.

As a major step towards Human Resources Development programme, KPTCL has built State of Art Training Centre at Hoody, Bangalore, which will enable to train the officers and employees towards accident free environment and to update the technical skill with the latest technology.

KARNATAKA TOURISM

ONE STATE. MANY WORLD

Powered with a Policy that encourages exponential growth of Tourism, a Master Plan framed to make Tourism the largest economic activity, a host of awe-inspiring tourism destinations, numerous examples of successful and noteworthy tourism ventures to follow, Karnataka seems to be the most promising destination for investors in India. Across the past 8-9 years when Karnataka's tourism ministry started to make moves that would inspire growth of the sector in the state, a lot has changed. Where there were no basic facilities for tourists, today they abound. Where there were no roads to speak of at some enthralling destinations, today the state boasts of excellent last mile connectivity. Compared to a small, functional airport that cramped aircraft and people for space, today the BIAL ensures that more than 11 Million passengers have easier access to Bangalore every year. The new Airport has managed to attract a straight 50% increase in international flights thus directly connecting more than 20 international destinations. And many more. The best of international media consistently featuring destinations in Karnataka specially, in the last 3 years has increased awareness drastically. New resorts and hotels are sprouting across the region. What is required for Karnataka at this juncture is mega projects on unprecedented scale and the Policy encourages such projects with a slew of concessions and zone-based incentives. A strong relationship by Karnataka Tourism and its stakeholders with the best of the tourism fraternity abroad and within the country who influences travel decision means, any new investment in the state will have travelers flocking in.



KPTCL WELCOMES YOU TO
THE GLOBAL INVESTORS MEET
3-4 JUNE 2010, Bangalore-India

Shri B.S. Yeddyurappa
Hon'ble Chief Minister of Karnataka

INVEST IN KARNATAKA
Get the Self Sufficient Energy Advantage

THE GRID WITH LEAST TRANSMISSION LOSS

In India, Karnataka has emerged as an undisputed investment destination for the investors worldwide, offering vast business opportunities across sector. The Karnataka Power Transmission Corporation Limited is one of the best transmission utility with the least transmission loss in the country.

KPTCL Pioneer Transmission Company

KPTCL has handled 42900 MU of energy with the maximum peak demand of 6897 MW during the year 2009-10. The capital investment for the year 2009-10 is Rs.1080 crore.

Karnataka's Energy Advantages

- As a competitive advantage for smart grid with the backing of numerous IT companies in the State
- Pioneer in Green Energy
- The first state in the country to have a renewable energy policy

Sector Profile

Total Number of Substations	1250
Total Length of the Transmission Line	37189 CKMs
Present Transmission Loss	4.2%

Consumer Friendly Initiatives of KPTCL

- State wide SCADA Enabling control & Data Acquisition for Load and Energy Management from 23 major generation stations & 1250 substations. First step towards SMART GRID
- 765 KV substations at Raichur & Tumkur for system reliability, first time in South India
- Average annual capital investment Rs. 2000 Cr.
- 400 KV substations at Bidadi, Yelahanka and Electronic City for Bangalore City, the IT hub
- Six Gas Insulated Switchgear substations for Bangalore City
- Grid strengthening to evacuate 17000 MW in the next five years

DEPARTMENT OF ENERGY
Government of Karnataka
E-mail: energy@karnatakaindustry.gov.in
Website: www.karnatakaindustry.gov.in

Karnataka Power Transmission Corporation Limited
E-mail: mdkptcl@gmail.com
Website: www.kptcl.com

3rd-4th June 2010 - Bangalore, India
Advantage Karnataka
GLOBAL INVESTORS MEET
One State, Many Opportunities.

KPTCL - FOR RELIABLE AND QUALITY POWER

KARNATAKA
THE IT & BT HUB OF INDIA

Karnataka has emerged as an undisputed investment destination for investors worldwide, offering vast business opportunities across sectors. Karnataka's capital, Bangalore, now a global brand is known as the Silicon Valley of India and is ranked among the top four technology clusters of the world.

The state attracts the highest amount of Venture Capital funding for Biotechnology in India. Its capital, Bangalore, now a global brand has the largest biotechnology cluster in India, aptly named as Biotech Capital of India.

Bangalore has sky-rocketed into the new millennium. A pulsating megapolis, a haven to IT-BT and Fortune -500 companies and today the world's most preferred investment destination.

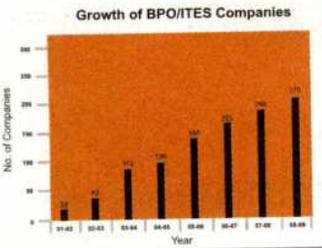
INITIATIVES OF DEPT. OF IT, BT AND S&T FOR G I M

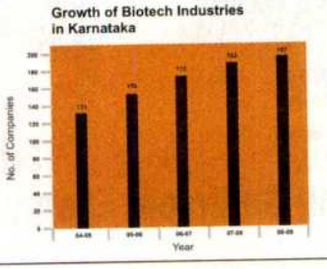
MILLENNIUM BIOTECH POLICY – II

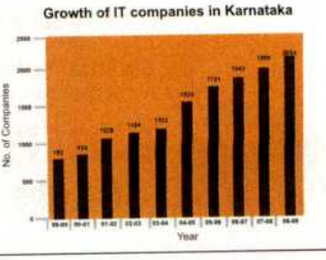
- Bio-Venture Fund of Rs.50 Crores in partnership with professional VC firm
- Financial Assistance for Patent Registration and Product Registration
- Fiscal incentives and concessions under Karnataka Industrial Policy 2009-14 being extended
- BT Finishing Schools to equip students with necessary employable skills to make them industry-ready
- Five Biotech Parks being established in different parts of the State
- Animal Quarantine Facility near BIAL
- Bio-IT facility in IBAB

SEMICONDUCTOR POLICY

- Karnataka Fund for Semiconductor Excellence of Rs.10 Crores to encourage innovation and R & D in Chip Design, Product Development, Telecom etc.
- Contribution of Rs.25 Crores towards KITVEN IT Fund to assist start up semi conductor units engaged in design and embedded software
- Financial Assistance to augment Orchid Tech Space in STPI into Charecterisation Lab
- ATMP Units will be given special incentives in the proposed ITIR
- Encouragement and Assistance to Solar PV Manufacturing Units
- Focussed School under IIIT and strengthening Research Labs in the Institute – Rs.12 Crores being provided
- Fiscal incentives and concessions under Karnataka Industrial Policy 2009-14 being extended







INFRASTRUCTURE DEVELOPMENT DEPARTMENT

Enablement of infrastructure for industrial participation is central to IDD department. IDD has completed feasibility study for 40 infrastructure projects, out of a total of 112 projects under consideration worth about Rs 99,000 crore—such as high-speed Bangalore airport rail link (whose construction will start by the end of the year), a semicircular monorail project for Bangalore, two ports, a 310 acre business centre near the Bangalore airport, a state of-the-art industrial facility in Bellary district, Food Parks, and so on.

Apart from these, IDD has proposed to partner the centre on several railway projects worth about Rs 9,000 crore to help us almost double the rail density to about 30 per cent, out of which the Centre has agreed to take on three on PPP. In the next 30 months, each of the district headquarters will either have an airport or an air strip.

Bangalore's "Namma Metro" is also progressing well. The DPR for the 55-km Metro Phase II is also ready, needing Rs 14,300 crore at a rate of Rs 260 crore per km. The 42-km Phase I should be ready by December 2012, with the first 7.5 km likely to be commissioned by December 2010.

PROPOSED INTEGRATED MASS TRANSPORT FOR BANGALORE LENGTH

- Metro System 137.0 km
- Mono Rail / LRT 60.0 km
- Bus Rapid Transit System 291.5 km
- Commuter Rail Services 204.0 km

Important Current PPP projects

- Airport Projects-
  - Hassan, Bellary, Bijapur, Shimoga, Gulbarga; 12 Air strips (IDD)
- High Speed Rail adLink to Airport at Bangalore (BARL)(6000cr)
- 10000km of Road Projects (KRDCL) (45000cr)
- Devanahally Business Park (KSIIDC)(9500cr)
- Sea Port at Tri, Haldipur (IDD)
- Devanahally Convention Centre (tourism)
- Logistics Park (KSIIDC)
- Two Mono Rail Project in Bangalore (BARL)
- Food Parks (Food Karnataka Limited/ KSIIDC)
- Tourism Projects (Tourism dept/ KIPDC/KSIIDC)
- Industrial Infrastructure - VADA at Bellary

3rd & 4th June 2010-Bangalore, India

Advantage Karnataka
GLOBAL INVESTORS MEET
One State, Many Opportunities.

GLOBAL INVESTORS MEET - 2010

3rd-4th June, Bangalore, India

Karnataka-the preferred destination for IT and BT

Sri B.S. Yeddyurappa
Hon'ble Chief Minister

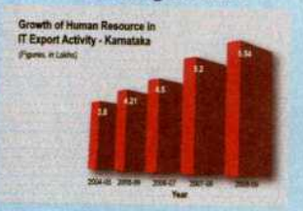
Karnataka – the knowledge Hub of Asia

IT is the pivot on which the economic development of the world rests. Karnataka is its mainstay.

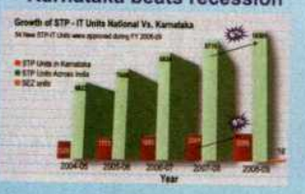
It has given Bangalore, its capital city, the sobriquet 'The Silicon Valley of India'. Karnataka provide infinite opportunities in all economic and commercial fields.

Karnataka cordially invites global investors to the Global Investors' Meet.

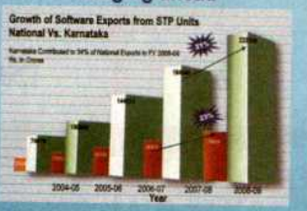
And moving ahead...



Karnataka beats recession



Surging ahead



Sri Katta Subramanya Naidu
Hon'ble Minister for IT&BT, Housing Information, BWSSB and District Incharge, Bangalore North

BANGALORE
THE IT CAPITAL OF INDIA

BLOCK YOUR DATES GLOBAL INVESTORS' MEET 3rd & 4th June 2010, Bangalore

BANGALORE
THE BIOTECH CITY

Department of Information Technology, Biotechnology and Science & Technology
Government of Karnataka
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Can Social Media Help You Get a Job?

Yes it can, but watch out for pitfalls.

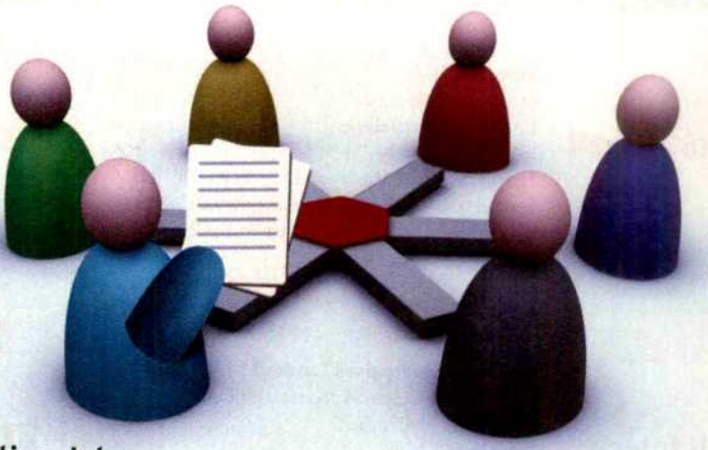
Twitter arrived in India a while ago and its impact was underlined by the brouhaha surrounding the Indian Premier League (IPL) recently. But, can you use Twitter or other online social platforms more gainfully? As in, can you use Twitter, Facebook or LinkedIn to find a job?

A London-based start-up, BraveNewTalent.com, hopes to help you do just that by building an environment where employers and potential talent can both sign up. A potential employee can follow a company he is interested in, and if the company is interested in recruiting the employee, it (well, someone in the Human Resources team) can read up and find out a bit about the person on the basis of his or her social connections and interests. Think of it as a very focussed social network, though one could argue that you could do a similar thing on the much larger LinkedIn, where several companies actively post jobs. In fact, if one builds his network up sufficiently well enough, there could be several job opportunities on that network every week.

As for Twitter, if you have a large enough (500 people plus) following, you could, on the strength of your network, even pitch for a job on Twitter. Some people have done exactly that, and now a new third-party Twitter application 'TwitRes' allows one to post his resume on Twitter as well. The same goes for Facebook, where though it might be a bit desperate to pitch for a job on your status bar, you could send messages to your friends, who could help you out.

There is a fair chance that a potential employer might do a Google search on you. If you have a fairly common name, it might not be that bad. But, thanks to new (non) privacy policies at Facebook and the ubiquitous reach of Google web spiders that index everything online, there may be a lot of things that your potential employer might find out about you that you would rather they would not. While social media can help you find a job, it could also play a part in you not getting a job. Adjust your privacy levels to keep private matters private and away from prying eyes and do not try to hide things from your potential employers. In an open world, it is probably better to be honest. ⊙

KUSHAN MITRA



ALANKAR

Netting Jobs

- Do not feel shy to use social media for making discrete queries regarding jobs.
- Use services such as LinkedIn to build up your professional profile. Specialists like BraveNewTalent.com are also coming up.
- Maintain your online presence carefully. Potential employers might Google to find out information that you do not want them to know.
- Set your privacy levels high and untag yourself from images and videos you do not want others to see.

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Honeywell
Operations Manager
Location: Bangalore
Job ID: 8200042
Description: Manage Delivery for HR Services through self service, contact center and transaction process centre in the areas of HR Reporting etc.

Yahoo Software Development India P Ltd
Research Engineer
Location: Bangalore
Job ID: 7876472
Description: BS/MS/PhD in Comput Science with 6-10 years practical experien designing and developing large scale systems.

Infotech Enterprises Limited
Domain Consultant-Electrical Utilities
Location: Hyderabad
Job ID: 8222168
Description: 9-15 yrs of operations exp. where technology and IT systems were implemented within the utility market. Preferably implementations like SCADA.

Tech Mahindra Limited
Operation Director (Global Support)
Location: Gurgaon, Pune
Job ID: 8193957
Description: Exp. with technologies such enterprise applications and integratio customer care and billing, internet and intrar etc.

Linde
Lead Engineer - Piping Materials
Location: Vododara
Job ID: 8264319
Description: BE (Mech/Chem) with min 10 yrs exp in Oil & Gas sector & having exp of leading projects. Exposure in Marian based Databases and knowledge of applicable codes & standards.

EMC Corporation
Consultant Engineer / Architect
Location: Bangalore
Job ID: 8229919
Description: Hands-on experience software and product engineering and a prov track record as an architect in a reputed wo class product R&D team.

Aditya Birla Group
Head IR & HR
Location: Belgaum
Job ID: 8235503
Description: Plan and implement the policies and programs of the company in respect to industrial relations and human resource management.

BrickRed Technologies
Program Manager
Location: Noida
Job ID: 7495252
Description: 8+ Years of total exp in IT 3+ years of Project Management experier Should have handled a team size of 20 peo (min).

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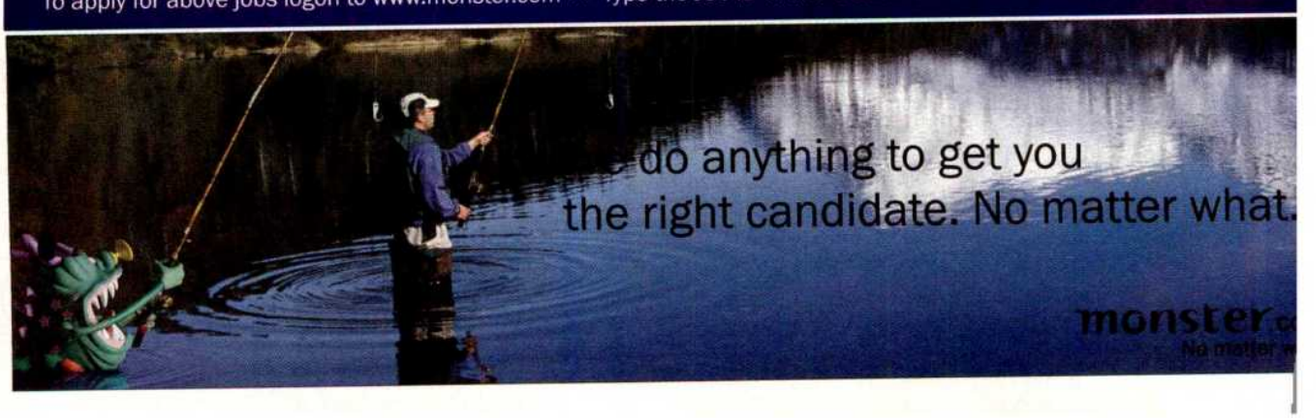

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Symantec Corporation
Sr.Software / Software Engineer
Location: Pune
Job ID: 8116702
Description: 4-10 years exp. In-depth knowledge of programming languages like C++ and C#. .NET remoting, WCF & WPF or Silverlight will be a plus.

Safenet InfoTech Pvt Ltd
Senior Software Engineer - Windows UI Developer
Location: Noida
Job ID: 8184567
Description: 4- 5 yrs. relevant experience in Web page design, HTML, CSS, and JavaScript. Server side scripting and template based web page design

NVIDIA Corporation
System Software Engineer
Location: Bangalore
Job ID: 8231702
Description: Must have solid software or hardware engineering background and understanding of good coding practices etc.

Conseco Data Services (India) Pvt Ltd
Java Developer
Location: Hyderabad
Job ID: 7717456
Description: 2 + years Chordiant Foundation server development, experience with Contact Center Advisor (CCABE), CTI, CAFÉ Server, Business Process Designer.

TIBCO Software
Sr. Developer
Location: Pune
Job ID: 8130086
Description: 5 yrs software product development exp. with a M.S. degree or 7 years with a B.S. degree. Experience in Ruby is a plus

VeriSign
Application Developer
Location: Bangalore
Job ID: 8143443
Description: Proficient in Rapid Application development methodologies like Agile; exp. in full life-cycle of a software application, Java, Linux, Unix.

Cognizant Technology Solutions India Private Limited
R&D Railway Systems Engineer
Location: Hyderabad
Job ID: 8177219
Description: Exp. in high integrity railway systems engineering, preferably in real-time and/or embedded environments.

Torry Harris Business Solutions (P) Ltd
Webmethods Technical lead
Location: Bangalore
Job ID: 8132432
Description: He/She should be able to design, understand requirements, ask questions and communicate the same to the team, review code.

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Sales and Marketing Jobs brought to you by monster.com

City Vacations Pvt. Ltd.
Travel Sales Consultants
Location: Gurgaon
Job ID: 8259765
Description: Seeking Travel Sales Consultants for UK based travel process in Gurgaon .With excellent english speaking ability. Pick & drop will be provided.

India Mart
Sales Manager
Location: Pune
Job ID: 8215290
Description: Market development, ma intelligence and competitive scanning, busi revenue generation, preparation of mark reports.

Kotak Mahindra Old Mutual Life Insurance Ltd
Sales Manager
Location: Pune
Job ID: 8190236
Description: Min. 2 yrs of exp. into sales. Good knowledge of Computers (especially MS Excel and MS word). Excellent communication skills.

Informatica Corporation
Marketing Manager
Location: Bangalore
Job ID: 8227095
Description: Demonstrated experience web marketing; demonstrated ability to l strategy and execute the strategy etc.

Oracle
Sales Manager
Location: Bangalore
Job ID: 8246277
Description: Looking for managers who can drive a team of individuals involved in end to end sales for North American market.

McGraw hill Education
Sales Exec/ Sales Representative
Location: Mumbai
Job ID: 8127001
Description: Generate demand for the products & sell the back list titles to the de and retailers under close supervision.

Cisco Systems (India) Private Limited
Account Manager Sales
Location: Delhi, Mumbai
Job ID: 8190435
Description: Responsible for managing assigned key accounts, for increasing account penetration, customer satisfaction, developing new accounts etc.

Kewal Kiran Clothing Limited
Assistant Sales Manager
Location: Mumbai
Job ID: 8132722
Description: Operationally strong pe sales target oriented, having st communication skills. Ready to travel all India.

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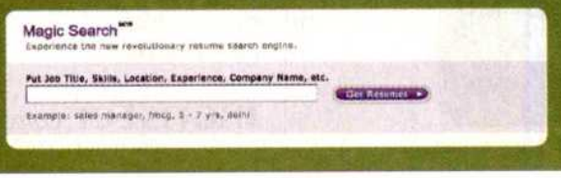
magic FILTER TECHNOLOGY



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Finance Jobs brought to you by monster.com

CLSA India Limited
CLSA Development Squad
Location: Mumbai
Job ID: 8201755
Description: A solid degree from a recognized University.2-3 years work experience in any field. Confident communicators and presenters who are comfortable with both numbers & words. Strong problem solving, planning and organisational skills.

Syntel Inc
Finance Professional
Location: Pune
Job ID: 7687114
Description: The job profile will involve financial analysis of various financial and investment products and instruments.

Suzlon Energy Ltd
Commercial Executive/Manager
Location: Pune
Job ID: 7834266
Description: Comparison of actual vs. budgets; variance analysis; preparation of business case for raising funds; negotiations with banks for credit facilities.

Robert Bosch Engineering and Business Solutions Limited
Payroll / Compensation Executive
Location: Bangalore
Job ID: 8222169
Description: Person must have knowledge on TDS, Income Tax, Service tax, Accountancy, VAT, Bank reconciliation, payroll, EPF etc.

Thomson Reuters
Team Leader - General Accounting
Location: Hyderabad
Job ID: 8218426
Description: Bachelors Degree in Finance/Commerce/Business or Accounting; working excellent knowledge of Microsoft etc.

Capgemini Business Services (India) Ltd
Team Leader - General Accounting
Location: Bangalore
Job ID: 8232711
Description: Graduate/ Post graduate (Commerce/ Finance); exposure on SAP tools is must; expertise in accounts receivable & general accounting etc.

SIEMENS
Finance Manager
Location: Ahmedabad, Mumbai
Job ID: 8230214
Description: Must have exp. in project and contract management, EBIT asset mgmt, housekeeping, support in acquisition / execution etc.

TalentPro
DY Manager Finance
Location: Chennai
Job ID: 8207355
Description: CA (completed); level of exp: 1-2 Years; telecom industry is must (even pre qualification experience is also considered).

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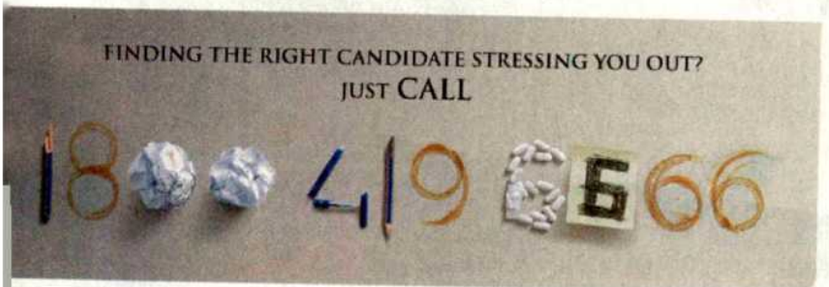

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COAL INDIA LIMITED

EMPOWERING INDIA. ENABLING LIFE.

INDIA'S ENERGY SCENARIO & COAL

India is currently among the top three fastest growing economies of the world. As a natural corollary India's energy needs too are fast expanding with its increased industrialization and capacity addition in Power generation. This is where 'Coal' steps in.

- Coal is the most dominant energy source in India's energy scenario.
- Coal meets around 55% of primary commercial energy needs in India against 29% the world over.
- India is the 3rd largest coal producing country in the world after China and USA.

AT A GLANCE

Coal India Limited (CIL) is a 'Navratna' Public Sector Undertaking under Ministry of Coal, Government of India with Headquarters in Kolkata, West Bengal. CIL is the single largest coal producing company in the world and the largest corporate employer with manpower of 397,138 (as on 1 April 2010). Operating through 81 mining areas CIL, is an apex company with 7 wholly owned coal producing subsidiaries and 1 mine planning and consultancy company. CIL's mining activities are spread over 8 provincial states of India. Coal India has 476 mines of which 277 are underground, 165 opencast and 34 mixed mines (as of 1st October 2009). CIL further operates 18 coal washeries, (12 coking coal and 6 non-coking coal) and also manages 200 other establishments like workshops; hospitals etc. CIL has 26 training Institutes in its eight companies. Indian Institute of Coal Management (IICM) as a 'Centre of Excellence' operates under CIL and imparts multi disciplinary management development programs for executives. Coal India's major consumers are Power and Steel sectors. Others include Cement, Fertiliser, Brick Kilns, and a host of other industries.

UNMATCHED STRATEGIC RELEVANCE

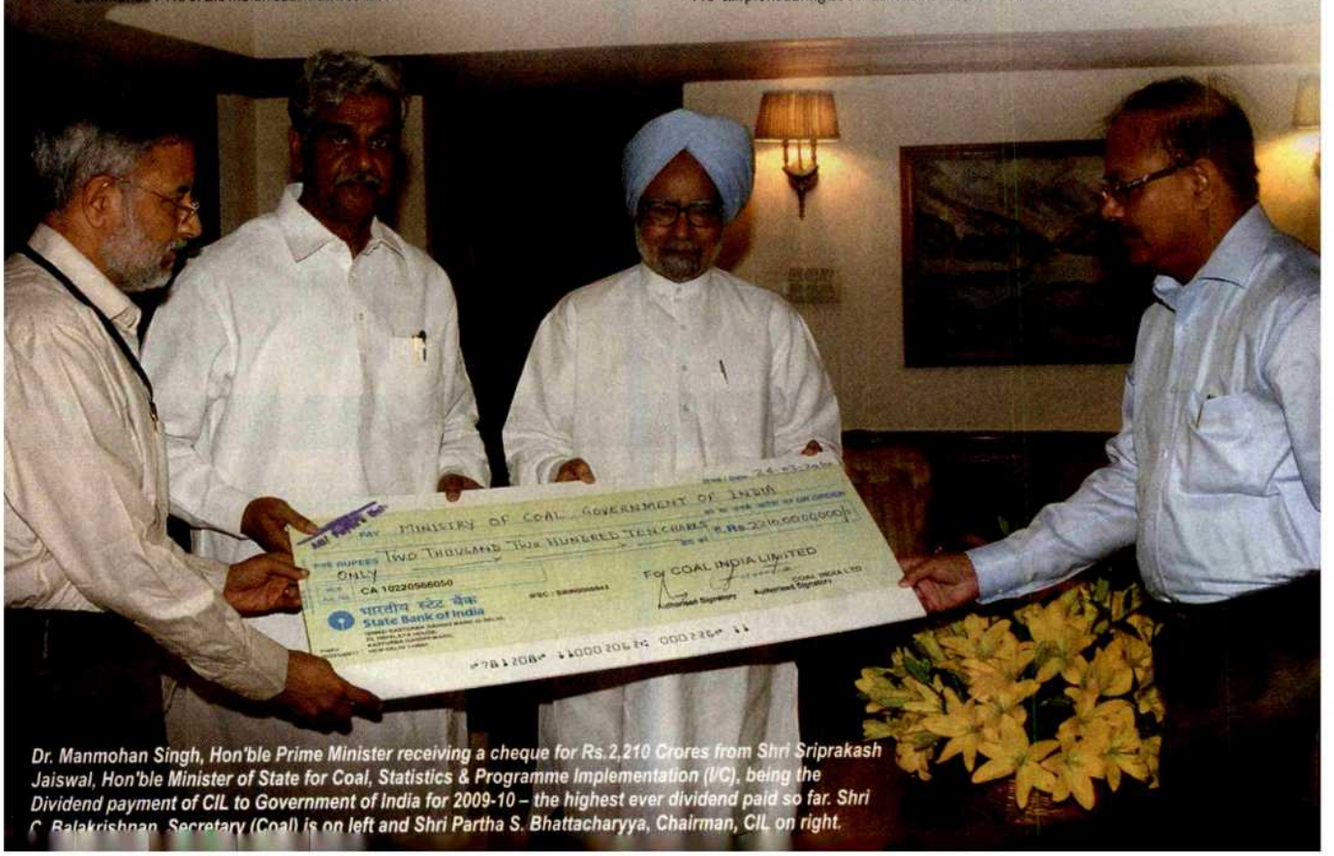
- CIL single handedly produces 82% of the overall national coal output
- Meets 42% of the country's primary commercial energy requirements
- Commands 74% of the Indian coal market share
- Supplies coal at prices deeply discounted (up to 50%) to international prices enabling the end user industry enhance their global competitiveness
- Insulates Indian coal consumers against price volatility
- Yet maintains operating margin of nearly 30% through strategic cost control, enhanced productivity and efficiency in asset management
- Has proved reserves of 68 Billion Tonnes which is seven times more than the second largest coal company in the world
- Thus, plays a key role in "India Growth Story" and makes Indian businesses globally competitive

CONSOLIDATING THE PRODUCTION

- With a modest coal production of 79 Million Tonnes (MTs) at its nationalization in 1975-76, CIL ended 2009-10 with an impressive coal production of 431.27 Million Tonnes (MTs)
- Reflecting its dynamic production momentum in recent years, CIL leaped from 300 MTs mark achieved in 2003-04 to 400 MTs (2008-09) in a span of 5 years, whereas it took CIL 12 years to cross the 300 MTs production mark from that of 200 MTs achieved in 1991-92
- Achieved a growth of 6.4% in 2008-09 and 5.3% per annum during the period 2003-04 to 2007-08.
- Clearly, CIL had stepped into a higher growth orbit in 2008-09, which was further reinforced in 2009-10 with a growth of 6.8%, the highest achieved in a year so far.
- Two of CIL's subsidiaries have exceeded 100 MT mark in coal production, joining the exclusive club of few companies that produce over 100 MTs of coal annually.

STRONG FINANCIAL PERFORMANCE

- One of the largest profit making, tax and dividend paying State Owned Enterprises of India
- Turn Over of Rs. 51,909.40 Crores as of fiscal 2009-10
- Pre-tax profit during 2009-10 was Rs. 13,964.93 Crores.



Dr. Manmohan Singh, Hon'ble Prime Minister receiving a cheque for Rs.2,210 Crores from Shri Sriprakash Jaiswal, Hon'ble Minister of State for Coal, Statistics & Programme Implementation (I/C), being the Dividend payment of CIL to Government of India for 2009-10 – the highest ever dividend paid so far. Shri C. Balakrishnan, Secretary (Coal) is on left and Shri Partha S. Bhattacharyya, Chairman, CIL on right.

SHRI SRIPRAKASH JAISWAL
HON'BLE MINISTER OF STATE (INDEPENDENT CHARGE) FOR COAL, STATISTICS & PROGRAMME IMPLEMENTATION

"Today, energy sector of the country cannot progress without coal. In fact growth of other industrial sectors of the country is directly linked with growth of the coal sector. And, Coal India is at the forefront of this important energy sector"

Dr. Manmohan Singh, Hon'ble Prime Minister presenting the SCOPE Gold Trophy to Shri Partha S Bhattacharyya, Chairman, Coal India Limited who received it on behalf of CIL.

- Profit After Tax stands at Rs. 9,622.45 Crores
- Paid the highest ever Dividend Rs.2,210 Crores to Government of India during 2009-10
- Net Worth of the company as on 31st March 2010 is Rs. 25,793.68 Crores
- Compounced Annualized Growth Rate (CAGR) of Profit Before Tax, Net Sales and Net Worth over previous Six years is 23.33%, 11.38% and 20.53% respectively
- CRISIL, an Indian affiliate of 'Standards and Poor' (S&P) has affirmed its long term rating of AAA, and short term rating of P1+ for CIL, the highest rating awarded by the agency

EXCELLENCE AWARDS

- CIL was conferred with the coveted "SCOPE Gold Trophy 2007-08 for Excellence & Outstanding Contribution to Public Sector Management". SCOPE Excellence Awards have been conceptualized and instituted to recognize the contribution of Public Enterprises and to encourage outstanding persons for their hard work and leadership qualities.
- CIL is also the proud recipient of 'Enterprise Excellence Award 2008' conferred by Indian Institution of Industrial Engineering for financial and operational strength as assessed under five perspectives – Financial Strength; Achievements; Internal Processes; Innovation & Learning and External Consumer Orientation.

RESPONSIBLE CORPORATE CITIZEN

- Pursues a structured CSR policy around coal mining areas to improve quality of life with community consensus and inclusive participation
- Provides medical services to employees, their families and local populace through 85 fully equipped hospitals and 1600 specialist Doctors
- Provides potable water to 2.3 million populace in remote corners of CIL's areas of operation
- Supports 665 educational institutes in coalfield areas including 61 DAVs, 2 DPSs & 14 KVs
- Introduced 'Coal India Scholarships' for 100 Below Poverty Line students plus 25 wards of land losers in select engineering and medical colleges. Scholarship covers education, hostel and mess charges
- Meets the entire cost of education of the wards of workmen securing admission in select engineering and medical colleges
- Committed to generate employment opportunities for people in mining areas by providing vocational training

"The strategic vision is to place the company on a path of accelerated growth with enhancement in productivity, competitiveness and profitability while meeting the growing demand of coal in the country in an environmentally and socially sustainable manner."

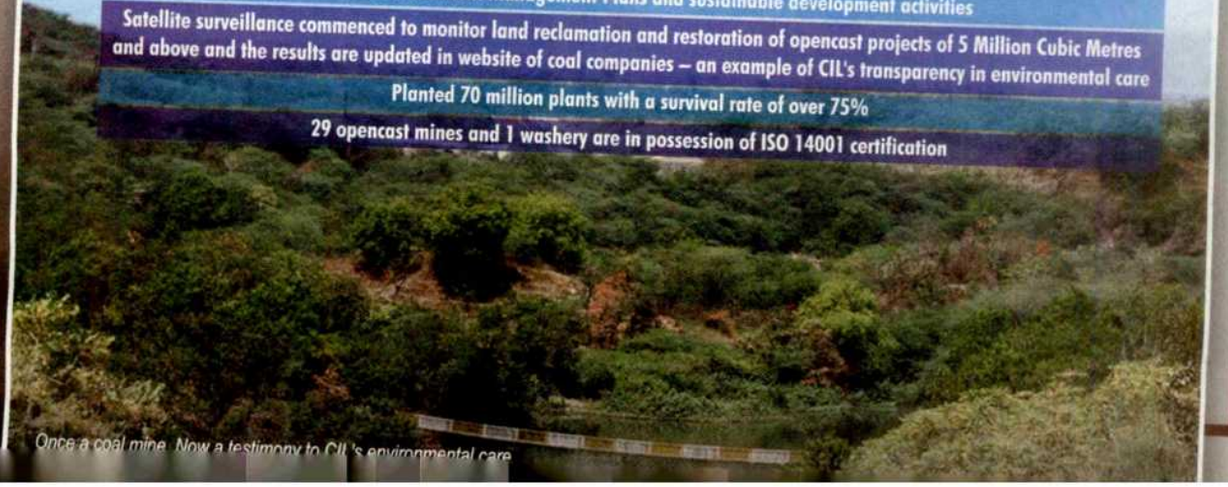
CARE FOR ENVIRONMENT

Committed to minimize the adverse impact of coal mining on environment through well structured Environment Management Plans and sustainable development activities

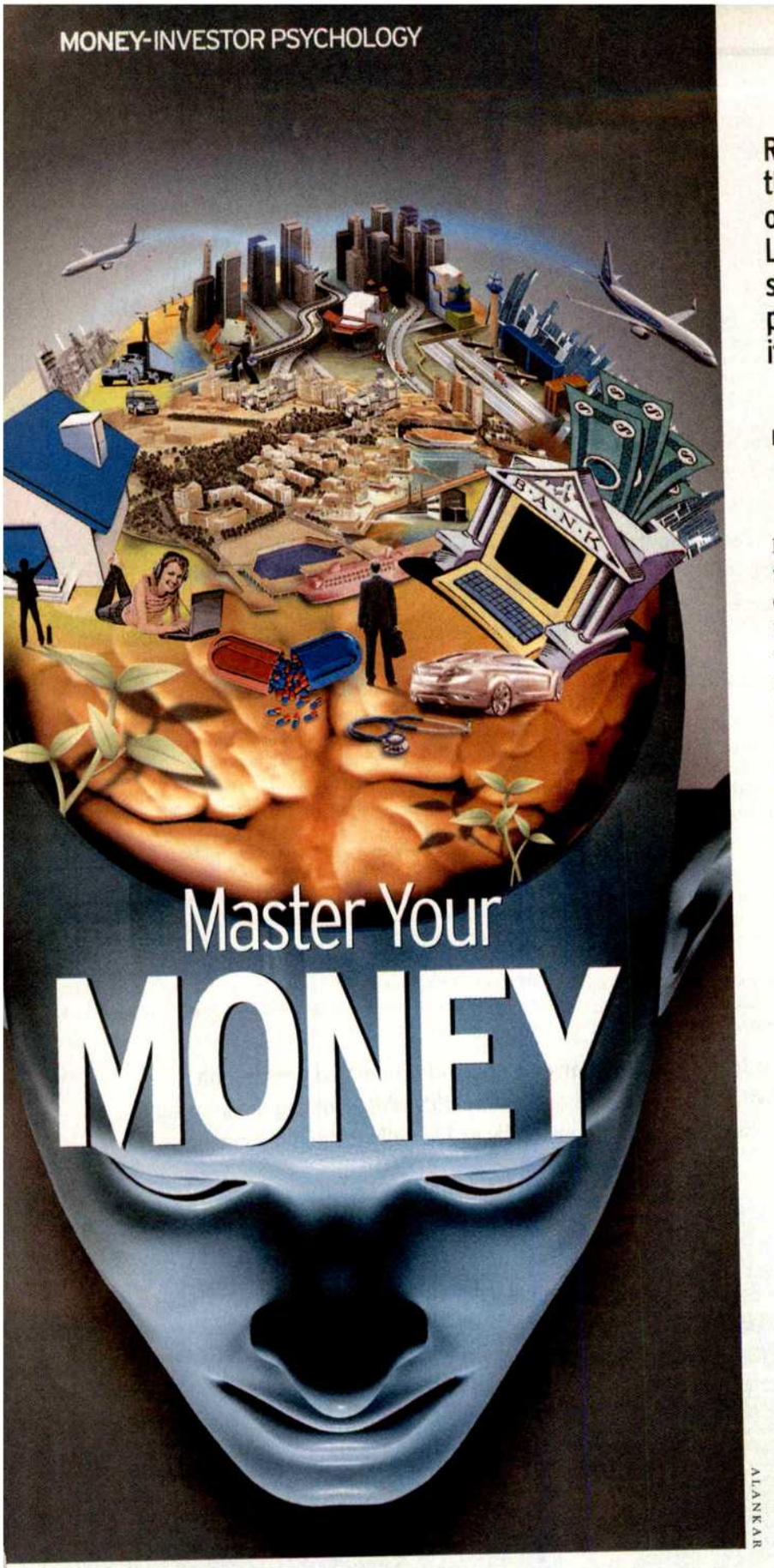
Satellite surveillance commenced to monitor land reclamation and restoration of opencast projects of 5 Million Cubic Metres and above and the results are updated in website of coal companies – an example of CIL's transparency in environmental care

Planted 70 million plants with a survival rate of over 75%

29 opencast mines and 1 washery are in possession of ISO 14001 certification



Once a coal mine. Now a testimony to CIL's environmental care



ALANKAR

Rules tend to overlook the most important part of a financial plan—you. Learn how to customise your strategy according to your personality to increase its efficacy. KAMYA JAISWAL

The savants are right, the answers lie within. But we keep seeking them outside, and that causes all the problems: Instead of answers, we come up with more questions. Our financial dilemmas are a perfect example of this paradox: Why is it good to invest in equities though you are scared of risk? Why is too much handy cash bad when it feels so good to spend? Why can't you put off planning for retirement when it is so far into the future?

Some answers are easy to tackle, others defy the rule book. Perhaps because the financial world is in a state of perpetual flux and the rules themselves keep changing. So the commission structure in mutual funds has gone and that in insurance is set to follow suit. The loan rates are changing fast and even the good old bank accounts are undergoing a revamp; interest rates will now be computed on a daily basis.

These are external factors riddled with opportunities and it's our response, comprising acumen and instinct, that dictates our success at exploiting them. While acumen is easy to acquire, it doesn't take psycho analysis to know that instinct resists change. You would rather shut out the change in the financial world A.R. (After Recession) and stick to the old economic order. But no matter how much you crave status quo, you must adapt to change, which requires that you be aware of your relationship with money. For this, you need to confront your financial per-

sonality, discover its mainstays, quirks and fetishes and then work around the shortcomings in your personality without changing it dramatically.

After assessing the patterns of common mistakes made by investors, *Money Today* has formulated strategies for four financial personalities: spendthrifts, debt mongers, dodgers and radicals *(Take the quiz* Know Your Investor Type*)*.

The Spendthrift

Let's take the case of Kolkata-based Prithviraj Dasgupta, a 34-year-old entrepreneur, who is not sure what compels him to spend 70 per cent of his monthly income. He just spends it. "I have cash in hand and there is nothing to do with the money. Spending has become a habit," he says. (See case study).

Although there is no arbitrary limit of expense to qualify as a spendthrift, you should worry if expenses, excluding rent, exceed 50 per cent of your net income. Dasgupta spends about Rs 28,000 a month on clothes, accessories and fine dining. By spending almost everything he earns, he is losing out on precious time to create long-term wealth. Says Deven Shah, Business Head, Money Mentor: "Such people have a low sensitivity to the pain of parting with money."

The financial fallout of high-rolling extends beyond messing up the cash flow. For one, because there is no surplus, spendthrifts invest randomly and do not align investments with their goals. As a result, there is an inadequate corpus for important events like children's education and retirement.

High-rollers have little idea about what eats up their income. So, instead of being prepared for it, they are shocked when they come up short. Not that this tames the shopping monster. A spendthrift would rather let an insurance policy lapse and use the money to finance a short-term need. Or else, loans and credit cards come to the rescue. This is why they are more likely to become debt mongers in future. Dasgupta sums up the effect of extravagance accurately: "My finances are very disorganised. I don't know how to start putting things right."

The answer is, in the mind. If you are a spendthrift, start with acknowledging that you must spend less. Make a list of your expenses and classify them as necessary and discretionary. Next, sort out those expenses which conventional wisdom does not consider necessary. For instance, dining out twice a week is not a necessity.

You must stick to the budget you have made. However, going to a mall with the resolve to spend, say, less than Rs 2,000 is not the way to do it. A better idea is to go to the mall with less than Rs 2,000 (and no plastic money) in your wallet. No money means no expenses.

What if you are motivated enough to go to the bank and withdraw cash for what you want to buy? Make sure that there is no money in the bank for such indulgences. This is the most important rule of planning for spendthrifts: Income minus saving equals spending. The idea is to hide the money

Personality of a Portfolio

Here is how a 35-year-old with a monthly income of Rs 50,000 is likely to build finances depending on his personality:

IF HE IS A SPENDTHRIFT

Income	Rs 50,000
Expenses	Rs 41,000
EMIs (personal loan)	Rs 6,000
Surplus	Rs 3,000

As most of the money is spent, there is little left to invest and build assets.

IF HE IS A DEBT MONGER

Income	Rs 50,000
Expenses	Rs 18,000
EMIs (personal loan)	Rs 30,000
Surplus	Rs 2,000

The only priority is to repay the high debt.

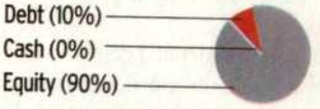
IF HE IS A DODGER

Income	Rs 50,000
Expenses	Rs 15,000
EMIs (personal loan)	Rs 5,000
Surplus	Rs 30,000

As there is little attachment to money, the assets and liabilities are very small.

IF HE IS ULTRA-AGGRESSIVE

This personality type is usually adept in balancing income and expence. So it's not the cash flow but asset allocation that is more important in this case.



The assets are very fragile as they comprise risky financial products.

The figures are indicative and will vary from person to person

Prithviraj Dasgupta, 34
KOLKATA

He spends too much on discretionary products and services and has taken on two loans. As a result, his cash flow generates zero surplus for investments.

OUR SUGGESTION

- Calculate how much you need to save every month for your goals.
- Commit the money to SIPs in equity diversified funds or monthly premiums in Ulips.
- Use electronic transfers to invest at the beginning of the month.
- Spend what is left after saving and not the other way round.
- **Use the envelope method of spending:** Put money for each expense category in an envelope and do not spend more than this.

"I am disorganised and feel the need to spend on things even though I know that I do not need them."

from yourself so that it can be used in a more financially prudent way.

For this, first set your financial goals and figure out how much you need to save for them. Match your surplus with the amount of investment required every month. If the difference is too high, go back to the budget and cut back further.

To take your money to the final hiding place, investments, use automatic bank transfers. Opt for SIPs in mutual funds and ULIPs for the day after your salary is deposited. You can also transfer money to debt investments for building safe havens.

For building an emergency fund, one option is to shift some money to another account and hand over the ATM card and cheque book to a trusted friend in the same city. In addition, cut up all credit cards. A great tip for high-rollers comes from an unexpected source, Oscar Wilde, who said, "I can resist everything but temptation." In your case, keep it at bay.

The Debt Monger

But if you can't tame your urges, very soon you will find yourself shopping for debt. And when that becomes a habit, your transition into a debt monger will be complete.

A typical characteristic of people with heavy debt is that they live in a state of denial. As long as there is enough money for expenses and payouts, all is well. Take the case of Delhi-based Potnuru Kiran Kumar, 28, who doesn't consider high debt as a problem. The EMIs of his personal (from his engineering college days) and education loan comprise 55.06 per cent of his net income, but he is not worried. "I am not concerned about savings. There is a lot of time for it," he says.

Along with the two EMIs, Kumar is also rolling over a credit card bill of about Rs 27,000. His monthly income of Rs 25,000 is not enough to service all three forms of debt simultaneously. So the month he pays a part of the credit card bill, he foregoes the EMI of the personal loan. In fact, after three years of servicing loans, Kumar claims to have mastered the art of managing his cash flow around the payouts.

Says Swapnil Pawar, Head, HNI Solutions, Karvy Private Wealth: "Such investors paint a rosy picture of the future, where everything moves in their favour." In addition, most debt addicts have an "external locus of control", a phrase used by psychologists to explain the tendency of shrugging responsibility. Such people refuse to accept that high debt is a result of their actions and, consequently, do not think they can resolve the situation.

Therefore, planning for debt addicts must begin with convincing them of the problem. Pawar offers a simple formula: if the debt used to build depreciating assets is more than 30-50 per cent of your net income, accept that you are in trouble.

The second step is to ensure that you do not add to the burden. If credit cards are a problem, cut them up completely. If you are planning to buy a new gadget on instalments, give up the idea. In fact, do not think of even good debt like a home loan till the total debt is within limits.

To shatter the false sense of well-being, Pawar suggests that you chop off 10 per cent of your net income while making any calculations. Next, add a buffer of another 10 per cent to your budget. This strategy has dual benefits: your debt affordability drops

If debt to income ratio is...

<30% Don't worry, the debt is in control.

30-50% Debt is within manageable limit.

>50% Get help. You are getting caught in a debt trap.

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For the second consecutive year

CNBC-TV18 CRISIL Mutual Fund Of The Year Awards 2010

DSP BlackRock Top 100 Equity Fund – Winner

Category: Large Cap Oriented Funds
Period: 1 year performance ending Dec 31, 2009

DSP BlackRock Equity Fund – Winner

Category: Equity Diversified Funds
Period: 1 year performance ending Dec 31, 2009

Past performance is no guarantee of future results.

visit www.dspblackrock.com

DSP BLACKROCK MUTUAL FUND

CNBC-TV18 – CRISIL Mutual Fund Of The Year Awards 2010 : DSP BlackRock Mutual Fund won the CNBC TV18 - CRISIL Mutual Fund of the Year Award in the Category – Equity Fund House of the Year. In total 37 fund houses were eligible for the award universe. The award is based on consistency of fund house's performance across the Large cap oriented, Diversified equity, Small & Mid cap equity, ELSS, Index, Balanced, Consistent Equity and Consistent Balanced categories in the four quarterly CRISIL CPR rankings released during the calendar year 2009. The individual CRISIL CPR ranks for their schemes were aggregated on a weighted average basis to arrive at the final ranks for fund houses. DSP BlackRock Top 100 Equity Fund was among the only two schemes that won the CNBC TV18 - CRISIL Mutual Fund of the Year Award in the Large Cap Oriented Funds category. In total 24 schemes were eligible for the award universe. DSP BlackRock Equity Fund was among the only two schemes that won the CNBC TV18 - CRISIL Mutual Fund of the Year Award in the Equity Diversified Funds category. In total 66 schemes were eligible for the award universe. Schemes present in all four quarterly CRISIL CPRs were considered for the award. The award is based on consistency of the scheme's performance in the four quarterly CRISIL CPR rankings released during the calendar year 2009. The individual CRISIL CPR parameter scores averaged for the four quarters were further multiplied by the parameter weights as per the CRISIL CPR methodology to arrive at the final scores. The ranking does not take into account any sales charge. A detailed methodology of the CRISIL CPR is available at www.crisilfundservices.com. Past performance is no guarantee of future results. **Rankings and Award Source:** CRISIL FundServices, CRISIL Ltd. **DSP BlackRock Top 100 Equity Fund (DSPBRTEF)** is an open ended growth Scheme, seeking to generate capital appreciation, from a portfolio that is substantially constituted of equity securities and equity related securities of the 100 largest corporates, by market capitalisation, listed in India. **Asset Allocation:** Equity & equity related securities: 90%-100%; Debt, securitised debt & money market securities: 0%-10%. **DSP BlackRock Equity Fund (DSPBREF)** is an open ended growth Scheme, seeking to generate long term capital appreciation, from a portfolio that is substantially constituted of equity securities and equity related securities of issuers domiciled in India. **Asset Allocation:** Equity & equity related securities: 90%-100%; Debt & money market securities: 0%-10% (Debt securities/instruments are deemed to include securitised debts). **Features:** SIP only in Regular Plan, SWP & STP available in each plan.Nomination facility available, subject to applicable conditions as per the Statement of Additional Information (SAI) and Scheme Information Document (SID). Declaration of NAV on all Business Days. Redemption normally within 3 Business Days. Sale and Redemption of Units on all Business Days at Purchase Price and Redemption Price respectively. Minimum investment: Rs. 5,000/- and Rs 1,000/- thereafter (Reg. Plan)/Rs. 5 crore and Rs. 1000/- thereafter (Inst. Plan). Entry load: NIL. Exit load: Holding Period < 12 months: 1.00%, Holding period >= 12 months: NIL. **Statutory Details:** DSP BlackRock Mutual Fund was set up as a Trust and the settlors/sponsors are DSP ADIKO Holdings Pvt. Ltd. & DSP HMK Holdings Pvt. Ltd. (collectively) and BlackRock Inc. (Combined liability restricted to Rs. 1 lakh). Trustee: DSP BlackRock Trustee Company Pvt. Ltd. Investment Manager: DSP BlackRock Investment Managers Pvt. Ltd. **Risk Factors: Mutual funds, like securities investments, are subject to market and other risks and there can be no assurance that the schemes' objectives will be achieved. As with any investment in securities, the NAV of Units issued under the schemes can go up or down depending on the factors and forces affecting capital markets.** Past performance of the sponsor/AMC/mutual fund does not indicate the future performance of the schemes. Investors in the schemes are not being offered a guaranteed or assured rate of return. Each scheme/plan is required to have (i) minimum 20 investors and (ii) no single investor holding>25% of corpus. If the aforesaid point (i) is not fulfilled within the prescribed time, the scheme/plan concerned will be wound up and in case of breach of the aforesaid point (ii) at the end of the prescribed period, the investor's holding in excess of 25% of the corpus will be redeemed as per SEBI guidelines. **DSPBRTEF and DSPBREF are the names of the schemes and do not in any manner indicate the quality of the schemes, their future prospects or returns.** For scheme specific risk factors, please refer the SID. For more details, please refer the Key Information Memorandum cum Application Forms, which are available on the website, www.dspblackrock.com, and at the ISCs/Distributors. **Please read the SID and SAI carefully before investing.**

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Know Your Investor Type

Are you afraid of risk? Do you love credit cards? Take this quiz to find out how your attitude to money determines your investor profile.

- ☐ More 'A's: You're a Spendthrift
- ☐ More 'B's: You're a Debt Monger
- ☐ More 'C's: You're a Radical
- ☐ More 'D's: You're a Dodger

Q Your company has announced a bonus of Rs 50,000. What will you do with the windfall?

a. I will add the Nikon D 5000 to my collection of three cameras.
b. I will clear the long overdue credit card bill.
c. I will invest in an NSC.
d. I will wait for the cheque.

Q At the new Japanese restaurant, what do you do while choosing your meal?

a. Order everything that seems delicious. Never mind if some food goes to waste.
b. Order very little and share from the dishes ordered by others.
c. Stick to sushi. Why try something new?
d. Take forever to decide what you want to eat.

Q What is your financial resolution for 2010?

a. To buy only what you need.
b. To pre-pay a loan.
c. To invest in the stock market, no matter what.
d. What resolution?

Q A publisher loved your blog and has offered a contract to write a book of 15,000 words. What is your reaction?

a. The word count is too less. The introduction itself will exhaust 2,000-3,000 words.
b. Completing the book depends on so many external factors.
c. Sign it right away. Why bother with fine print?
d. It is a good offer.

Q For your friend's gift, what do you do?

a. Buy 2-3 gifts to give the friend more choice.
b. Ask a friend to get a gift.
c. Stick to standard gifts.
d. Buy the gift on the way to the bash.

Q What are your plans for the weekend?

a. To check into a five-star hotel.
b. To go somewhere if a friend pays for the trip.
c. To drive off where the wind blows.
d. Is it the weekend already?

Q A new company has launched a mobile phone. You think:

a. How quickly can I buy it?
b. Will the dealer let me pay in instalments?
c. The reviews aren't good. But let me buy it.
d. Still thinking....

Q When your real estate broker asks you to pay Rs 2 lakh for a parking lot, what is your reaction?

a. I may have visitors. Can I book three?
b. Can't I just use someone else's parking lot on a monthly rent?
c. I will park the car on the road. It won't add to the cost of the apartment.
d. Do I have to pay extra for the parking lot?

Q Your monthly mobile bill is too high. What's your reaction?

a. Did I talk so much?
b. When will I stop paying the balance for the previous bill?
c. Why should I pay so much? Let me see what the service provider does
d. Isn't the due date 10 days away?

sharply and your cash flow automatically generates a monthly surplus. The investment rules for debt mongers are the same as that for spendthrifts: invest first and spend later. But before you tie up your money in long-term investments, consolidate your debt.

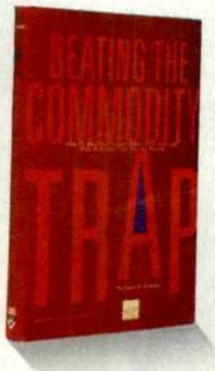
Start by ranking your debt according to the rate of interest. Typically, credit cards will top the list, followed by personal loans, car loans, etc. This is the order in which you must repay your debt. If you have investments that earn lower returns than the rate of interest of your loans, withdraw the money to prepay the debt. However, make sure that the money is not needed in the next few months.

In case you have different loans from the same bank, request it to combine them into the loan with the lowest rate. This strategy is called snowballing of debt and reduces your net interest outgo. If possible, do the same with credit cards, too. However, scrutinise the bank's offer closely to ferret out any hidden costs that may upset your plans. Though borrowing to repay another loan is a strict no-no, experts make exceptions if the interest differential between the two loans is significantly high. So, don't close this option either.

Most importantly, do not break one debt cycle to be caught in a new one. When Kumar was asked what he planned to do with the money freed on foreclosing his personal loan, he replied, "I will spend more on entertainment. I also want to take a home loan next year. Of course, I will save a little." If you are as comfortable as Kumar with debt, try to refrain from taking a needless one for at least a year. Once you live a stress-free life, all thoughts of financial masochism will be banished.

Read about the other two financial personality types— dodgers and radicals—in the next issue.

Courtesy: Money Today



Beating the Commodity Trap: How to Maximize Your Competitive Position and Increase Your Pricing Power

AUTHOR: Richard A. D'Aveni
PUBLISHER: Harvard Business Press, 2010
PAGES: 208
PRICE: Rs 399

Interesting, but Incomplete

The book addresses a key problem in modern business, but the solutions are oversimplified. ANAND HALVE

Whether your business is mobile handsets, financial services, apparel, telecom services or any other, the spectre of commoditisation stalks every category. So it is with some anticipation that one opened this book, whose very title sounds like an answer to your prayer: *Beating the Commodity Trap*.

The book has real-life stories that offer interesting perspectives on this problem such as work on restaurants in New York and with Primo, a Fortune-500 manufacturer of industrial materials. The book also offers other not-so-obvious insights: "...to make escalation work... relentlessly reduce your cost before reducing your prices." Advice that the Indian civil aviation business would do well to heed!

Sometimes, though, the advice is contrary to the title, involving capitulation. So, describing changes in the hotel industry, Richard A. D'Aveni, Professor at the Tuck School of Business at Dartmouth, US, says, "...the majority of entrants in the late 1990s and early 2000s... are aimed at the upper end of the mid-scale to the lower end of the upscale market." It is difficult to understand who exactly is being targeted in this word-play with undefined points such as 'lower end', 'upper end' and 'mid-scale'. Or, on IBM trying to face the commoditisation created by Dell, he writes: "...IBM took a different approach...(it sold) its personal computer business to...the Chinese manufacturer Lenovo."

There is an element of oversimplification regarding the basic tool used by the author: Price-benefit trade-off analysis, which plots the price of various players against the 'primary benefit' of the category.

Consider some of the 'primary benefits' mentioned. In artificial sweeteners, it is equated to 'multiples of sugar's sweetness', in restaurants it is called 'customer experience' (how do you plot this on a line?) and in the case of the Apple iPod, where the brand itself is treated as a 'category', and its own versions plotted, the primary benefit is described as "multifaceted functionality combining...storage, software, content, sleek design and features".

Using such wide-ranging descriptions to force-fit a single price-benefit line makes the exercise academic rather than practical. The same academic distance from reality comes up in the categorisation of commoditisation into three types of traps. Deterioration, where prices are driven down along with benefit delivery by one player and everyone is forced to follow; Proliferation, where prices and benefits go up or down, and different players at different price-benefit points 'surround' a company's products; and Escalation, where the prices go down, even as the benefits improve (as in consumer electronics.)

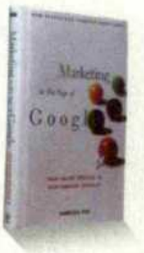
This is fine in theory, but what about the real world? In the mobile handsets market today, all these are happening simultaneously! There are brands that are pushing down the price, others that are showing proliferation characteristics and others that are escalating the game!

One would have expected more actionable and proven approaches from an author with D'Aveni's credentials. There's this apocryphal story about Nike founder Phil Knight and his athletics coach. Knight asked him: "What should I do to improve my timing?" and he was told: "Run faster". A smart quote for the soft board, but not of much practical utility. ⊙

The reviewer is CEO, Chlorophyll Brand & Communications Consultancy

The same academic distance from reality comes up in the neat categorisation of commoditisation into three types of traps.

BOOKMARKS



Marketing in the Age of Google/Your Online Strategy is Your Business Strategy
By Vanessa Fox
John Wiley & Sons
Pages: 242
Price: $25.95

Just building a website and waiting for hits is not enough in today's world, especially with consumers filtering out advertising. Why not harness the full power of Google?

Business Leaders Who Changed the World/Profiles of 11 Business Leaders
By Kateri Drexler
Jaico Books
Pages: 268
Price: Rs 295

This book and its twin, on business icons, have handy profiles on icons ranging from George Soros to Muhammad Yunus, from Michael Dell to Jeff Bezos.

PERSONAL TECHNOLOGY

Enter the Android

Google's mobile operating system is winning new customers the world over. We are sold too. KUSHAN MITRA

The dictionary defines an "Android" as part-man, part-machine. We do not have plastics or electronics humming inside our bodies (okay, there are bust-enhancers and pacemakers) yet, but we have amazing technology at our fingertips today, thanks to mobile devices.

One instance of such an incredible tool comes in the form of the Android operating system (OS) for mobile phones that has taken some time to get traction among customers but now that it has got there, boy, is it sticky! Late in April, mobile phones running on Android, an offering from search giant Google, outsold Apple's popular iPhone in North America, though the Steve Jobs-run company remains far ahead in smartphone global sales.

So, should you too get an Android-powered mobile device?

The Android OS, by design, has two inherent advantages. The first is that it is available to a multitude of device manufacturers, not just because it is open-source but also thanks to some big pushes from Google. The second is that, like the Apple iPhone operating system, Android also supports touch-screen devices—the new rage among mobile devices. And with the latest release of the software, version 2.1, it also supports so-called capacitive multi-touch (pinch to zoom).

If you decide to shop for an Android device, you will not be short of choice. There are Android devices starting at price-points below Rs 15,000, such as the Samsung Galaxy Spica, LG GW920 and HTC Tattoo, all the way up to the Rs 30,000-plus SonyEricsson Xperia X10 or Motorola Milestone (still cheaper than the 16 GB iPhone 3GS, which retails at Rs 35,500). See *Top 5 Androiders*.

How do Android applications stack up against competition? E-mail, for instance. The software is from Google, therefore the G-mail experience is superb. You will need an application, however, to link back to your office's Microsoft Exchange server. Much like the iPhone, "office e-mail" connectivity is not the main selling point of Android devices. That said, the "Chrome Lite" browser on Android devices and on the newer multi-touch devices is excellent. The Android Marketplace is a great place to find a whole host of interesting applications, many of which

Top 5 Androiders

1. **Samsung i5700 Galaxy Spica**
   Rs 14,750
2. **LG GW620**
   Rs 19,000
3. **Motorola Milestone**
   Rs 33,000
4. **HTC Legend**
   Rs 26,000
5. **SonyEricsson Xperia X10i**
   Rs 35,000

Prices are indicative only.

are free. Some like Google's new Goggles visual search service, Google SkyMap and other applications such as Evernote, Dropbox and Google Maps' voice-aided turn-by-turn navigation are fun to use as also useful (see *Top 5 Android Apps*).

Still, it is not as if there are no cribs with Android. Strangely, for an open source software, not all devices can be upgraded to the latest version of the OS, because the hardware may not support it. To run the latest Android 2.1 release for example, a device needs to be multi-touch.

Nonetheless, Android-run devices could make a big splash in India. Local device marketers are keen to push touch devices in India and are already speaking in Google's language. Later this year, we could well see sub-Rs 10,000 Android devices and the OS could easily become the leading smart-phone platform in India, too.

Post-script: To use an Android device to its full capabilities you need to have a Google account. In addition, you will need a data connection to download as well as use most applications. Check with your operator for data plans.⊙

The Smart World of Operating Systems

iPhone OS: Runs the Apple iPhone and now the iPad. This is possibly the smoothest device operating system. However, it does not allow multi-tasking. Some changes might occur with the next generation OS, the iPhone OS 4.0, expected in July.

BlackBerry OS: Research in Motion, makers of the BlackBerry, is rolling out a whole new version 5.0 across its newer devices such as the Bold 9700 and Storm 2 which, among other things, will have a vastly improved Internet browser.

Symbian OS: The latest iteration of Nokia's Symbian OS, called Symbian U^3 will appear on the N8 and N9 devices later this year. Nokia expects this version to take on Apple and the deluge of Android devices.

Windows Phone 7: Microsoft's latest operating system wowed observers with its slick interface, better integration with desktop machines (Mobile Office, for example) and web services.

Meego: Another operating system from Nokia, this time jointly with Intel, a new Linux-based platform for high-end mobilers, tablet computers and netbooks.

Bada: Korean phone maker Samsung, which makes several Android devices also decided to enter the smartphone operating system space with Bada, whose first devices should be launched later this year.

Top 5 Android Apps

Google Goggles
Simply put, this is Visual Search. You take a picture with your camera and it does the rest like searching the web. Works with devices running Android 1.6 and above.

Evernote
Android does not have a native note-taking application, but Evernote allows you to sync notes, photos and files across multiple devices and platforms.

Layar
Augmented Reality anyone? Using a combination of your camera and GPS location, Layar gives you information of places and events near you.

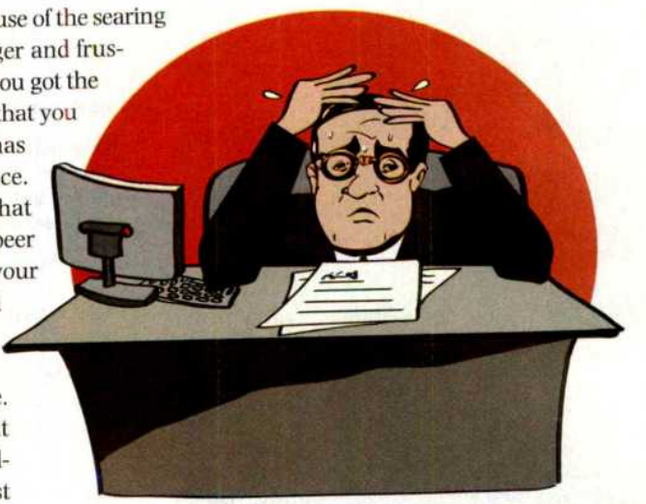
Facebook for Android
The iPhone and iPod Touch version is better, but the way the application syncs with your contacts is amazing, as long as your friends enter their numbers in the proper format.

Google Sky Map
If you are an amateur astronomer this cool application uses your GPS location to explain the night sky.

Converting a Bad Appraisal...

...Into a new beginning. Here's how you do it. N. MADHAVAN

It is a frustrating part of the year. Not just because of the searing heat outside but more on account of the anger and frustration that has built up inside you ever since you got the appraisal letter. You have not got the promotion that you expected and worse, you think the salary hike has not been commensurate with your performance. You worked hard and delivered results but what is irritating you is the fact that others in your peer group who you thought did not measure up to your performance have snagged a better deal. You feel like chucking your job and suddenly your career appears to be at the crossroads.



ALANKAR

It is not. Bad appraisals are part of the game. There is no point in getting emotional about it and messing up your career. The first step in dealing with a bad appraisal is to have an honest mindset and introspect your performance vis-à-vis the targets. A talk with your immediate boss to understand what could have gone wrong may put things in perspective. You will better understand your appraisal. For instance, you may have achieved the quantitative targets but not the qualitative ones. If that is indeed the case, your understanding of the performance measurement scale is clearly wanting and it also indicates that you have not owned up to your appraisal process in the first place.

"Becoming the leading partner in the appraisal process will surely help. There is no point in allowing somebody to set the targets for you to perform, which somebody else will appraise. You should be involved in setting the target based on your strengths and domain expertise," says Shekhar Arora, Executive Director, Human Resources, Ashok Leyland. You should not only be involved in fixing the "how much" part but also the "how to achieve it" part. This will not only help you to know your goals but also clarify how you should go about achieving it, he adds.

"YOU SHOULD NOT ONLY BE INVOLVED IN FIXING THE 'HOW MUCH' PART BUT ALSO THE 'HOW TO ACHIEVE IT' PART OF THE APPRAISAL PROCESS"

Shekhar Arora,
Executive Director (HR), Ashok Leyland

That apart, it makes perfect sense to periodically (every quarter) review your performance with your seniors. The feedback will help correct your course when required and, most importantly, avoid surprises when the appraisal letter actually comes.

Occasionally, there could be instances of extraneous reasons not connected with your performance coming in the way of your correct appraisal. If so, it shows the organisation in poor light. Under such circumstances, raise the issue with your superiors. If that fails to elicit proper response, it is time to move on. Start patiently looking out for opportunities even as you continue to give 100 per cent commitment to your current job.⊙

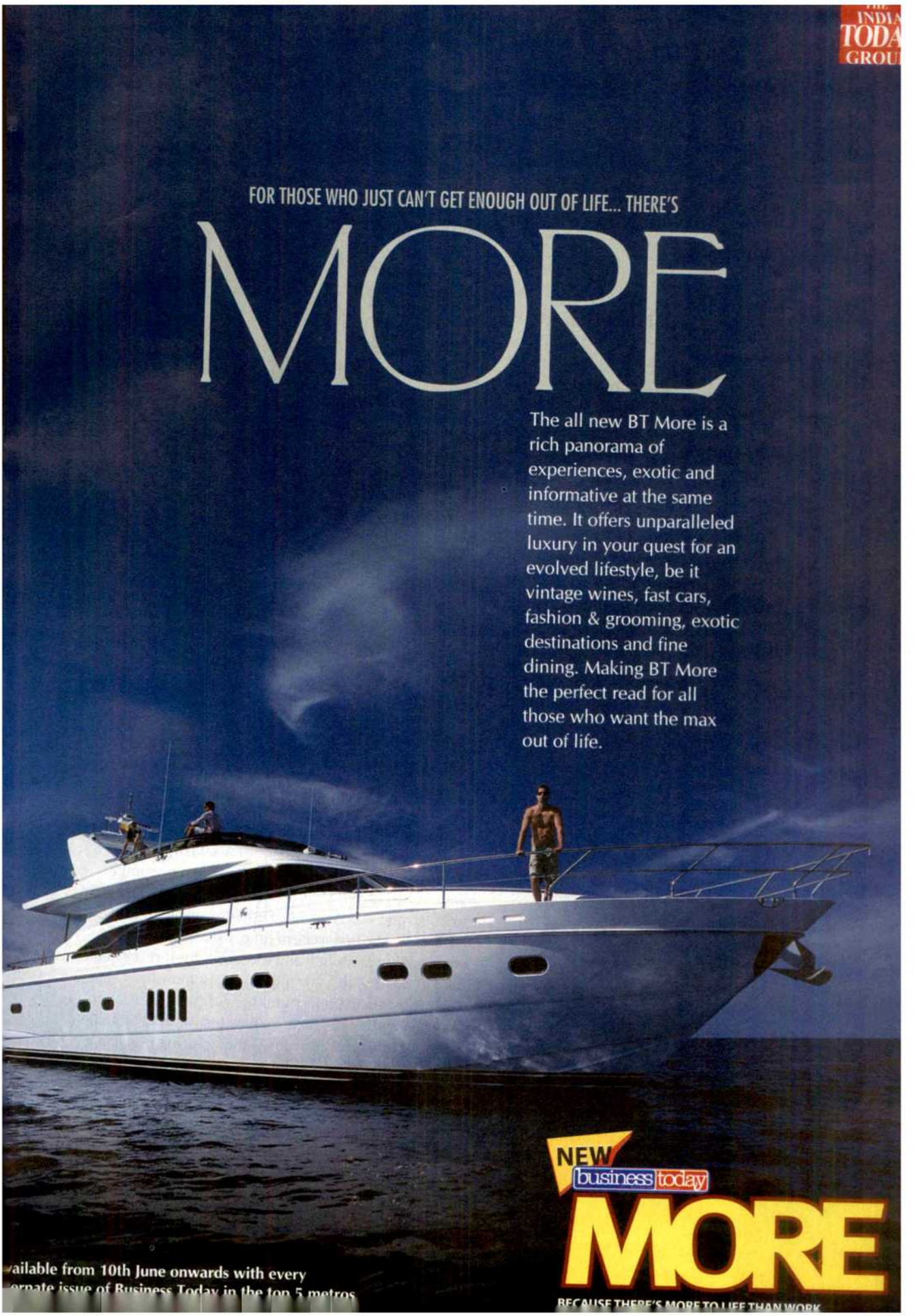
Log on to www.businesstoday.in for *Rejoining Your Old Employer* and *How to Increase Focus at Work*

DOs AND DON'Ts

- Stop being emotional. Adopt an honest mindset and introspect.
- Meet your boss. Your perception of deliverables and that of your reviewer may differ.
- If that is the case, your knowledge of the performance measurement is clearly lacking.
- Become the leading partner of your appraisal process for the next year. Understand the measurement process.
- Review your performance every quarter with your superior. You can take corrective measures and avoid surprises.

SUGGESTED READING

PERFORMANCE MANAGEMENT
By Robert Bacal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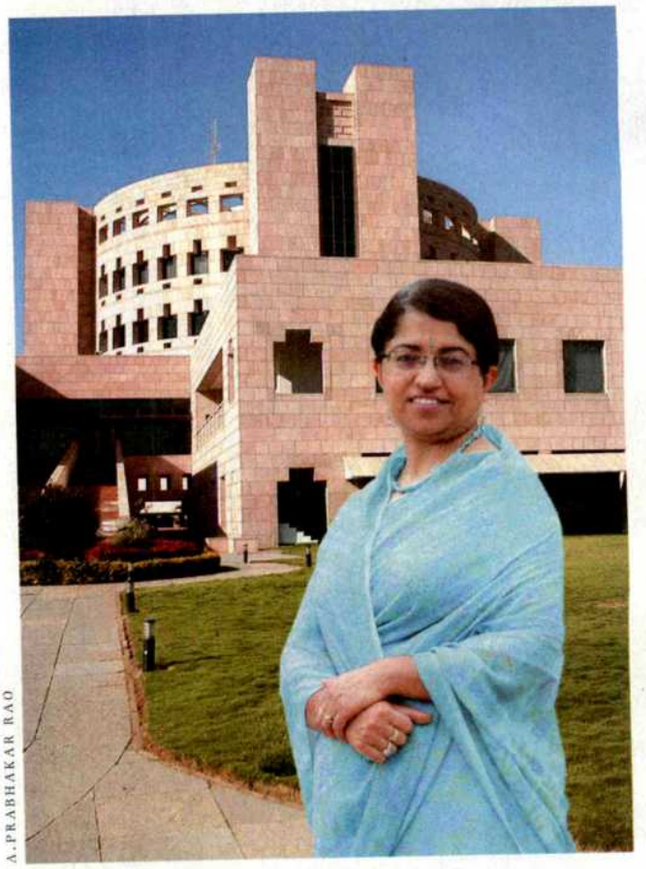
GWYN SUNDHAGUL

Bettering Indian Lives

After a successful career as a Director on the Board of Tesco Lotus, Thailand, **GWYN SUNDHAGUL**, 47, chose to test the retail weather in India. He joined Reliance Retail as CEO (Value Formats) and a member of the Board. Soon after completing his 100 days in office, the first thing that Sundhagul did was to share his five-year business plan with the senior leadership team at a 'Let's Talk Growth' meet held in Mumbai recently. With the initial plan focussed on building a value chain starting from farmers to consumers, the new plan articulates the brand strategy that is going to be driven by the core purpose of "Bettering the lives of Indians everyday". "It is vital to create a people-centric culture and demonstrate our care and respect for three key stakeholders—customers, community and colleagues. We will use this strategy as one of our core principles in the way we do our business," says Sundhagul. A BA in Economics from Cornell College, US, Sundhagul is also armed with a Certificate of Investment Banking from Chulalongkorn University, Thailand, and a Certificate of the Senior Executive Program jointly run by Sasin Graduate Institute of Business Administration, Kellogg School of Management and Wharton School.

ANUSHA SUBRAMANIAN



A.PRABHAKAR RAO

SAVITA MAHAJAN

Breaking New Grounds

The first campus of Indian School of Business (ISB) outside Hyderabad is coming up in Mohali at a cost of Rs 200 crore and it is an important milestone for **SAVITA MAHAJAN**, 51, Deputy Dean and Chief Executive of the new campus. Says Mahajan, who has been with ISB since its inception in 2001 and was Associate Dean (Strategic Initiatives) earlier: "In the first week of June, we will start the construction at Mohali and the idea is to start the first class here in 2012 with 140 students." Last month, ISB signed a Memorandum of Understanding with MIT Sloan School of Management, to develop two new institutes at Mohali—The BML Munjal Institute for Manufacturing Excellence and Innovation and The Punj Lloyd Institute for Physical Infrastructure Management. As an Associate School, MIT will provide faculty support, curriculum design and offer joint executive education programmes. MIT faculty will teach at both the Hyderabad and Mohali campus. The wife of Vijay Mahajan, a veteran in the Indian microfinance space, she says: "I learn more about livelihoods each time he is talking to others on the phone!"

E. KUMAR SHARMA

EA SPORTS–FIFA 2010 WORLD CUP SOUTH AFRICA EDITION

Virtual World Cup

Every four years, Electronic Arts (EA) releases a World Cup version of its leading football video game. Some fans might argue that Pro Evolution Soccer (PES) is a better game, but, through the years, EA has built up one of the strongest global franchises in video games, thanks to its 'official' FIFA badge. The 2010 iteration of the World Cup games allows you to choose from all 199 football associations and play in all the 10 stadia that will actually be hosting the World Cup. Using the improved controls that were introduced in the 2008 version of the game, you could even steer India to a FIFA World Cup win if you so want, even if you know that the chances of that happening in our lifetimes is slimmer than the disc the game comes on.

PRICE: Rs 2,499; **AVAILABLE ON:** PC, Xbox 360, Playstation 3, Wii.

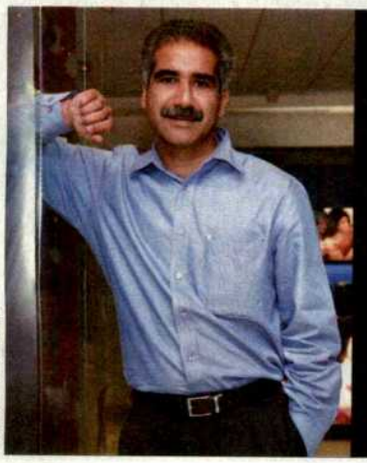
KUSHAN MITRA

MUNNAR

One of Asia's Best

Munnar, known for its lush green mountains, pristine valleys and sprawling tea plantations, has been rated as the second-best Asian tourism destination after Tokyo by TripAdvisor, a travel guide and research website that has 15 million registered members, more than 34 million monthly visitors, and 30 million traveller reviews and opinions. Located in the Kerala's Idukki district, Munnar has been attracting tourists who are looking for a hill station that is not completely commercialised. They preferred Munnar over Ooty and Kodaikanal in South India, thanks to its relatively undisturbed beauty. Its topography has been attracting adventure tourists, who enjoy paragliding, trekking and rock climbing. Nature lovers prefer to visit Eravikulam National Park, which is home to the endangered Nilgiri Tahr, a stocky goat with short, coarse fur and a bristly mane, and a whole lot of other colourful wildlife. That characteristic of Munnar could well be lost soon as its popularity continues to rise.

N. MADHAVAN



SATISH KAUSHIK

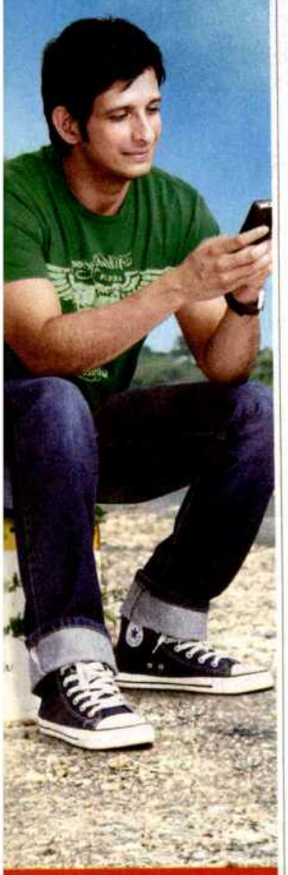
VINEET TANEJA

Phones to Connections

VINEET TANEJA, former Marketing and Go-to-market Head at Nokia India, has moved from selling handsets to selling the connections that power those handsets. He is switching over to the country's largest mobile operator, Airtel, where he will be heading the southern region. The move has surprised many industry watchers, but may not be that surprising in light of the recent 3G auction where Airtel bagged 3G licences for Tamil Nadu, Andhra Pradesh and Karnataka for a total of Rs 4,418 crore and Taneja, who did not comment on his switch, might have the unenviable task of selling 3G down south. With his experience promoting multimedia and data-rich services, he might just be the right person to convince people to make the switch to 3G. ⊙

KUSHAN MITRA

Airtel



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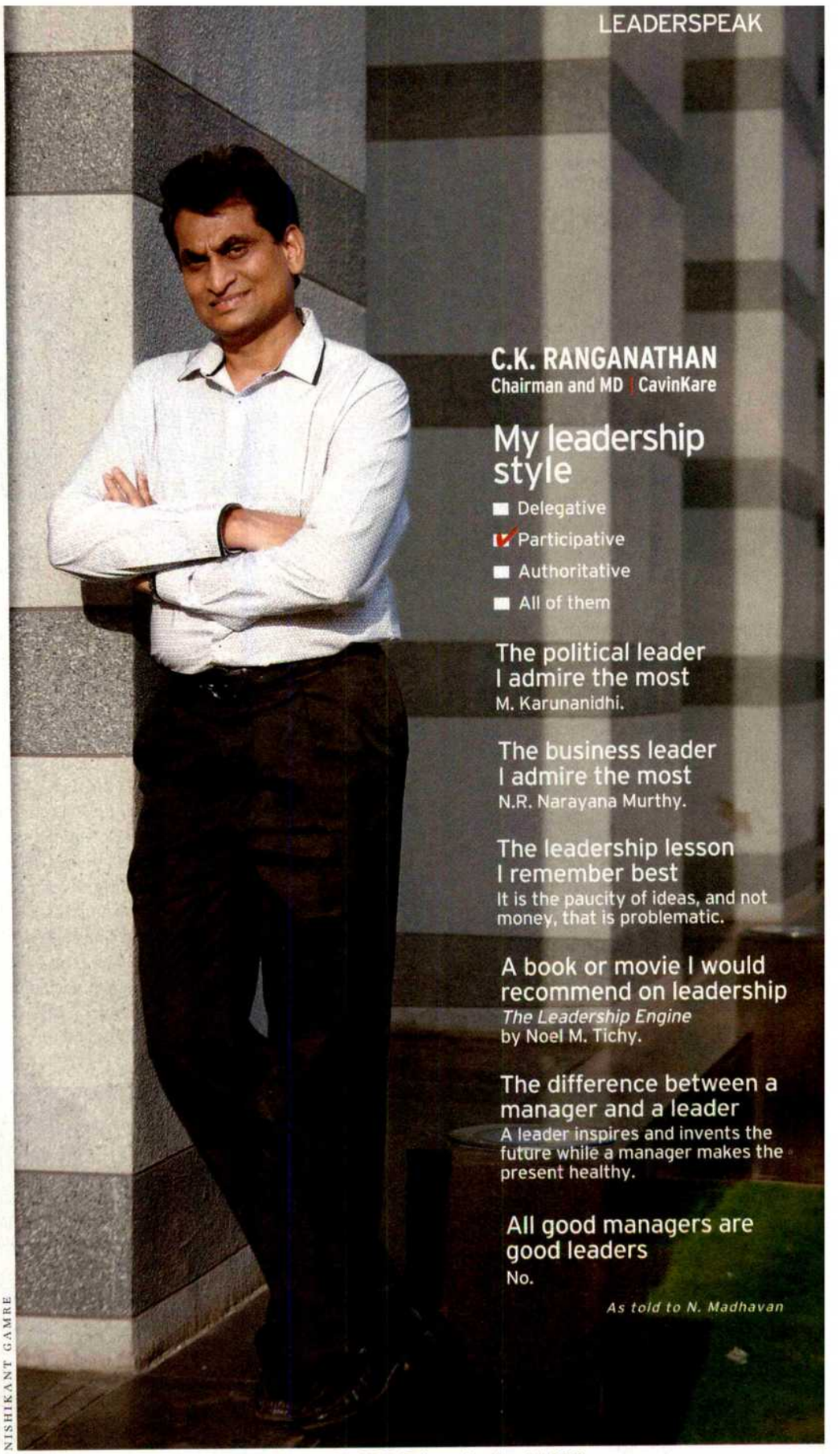

NISHIKANT GAMRE

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Chairman and MD | CavinKare

My leadership style

- ☐ Delegative
- ☑ Participative
- ☐ Authoritative
- ☐ All of them

The political leader I admire the most

M. Karunanidhi.

The business leader I admire the most

N.R. Narayana Murthy.

The leadership lesson I remember best

It is the paucity of ideas, and not money, that is problematic.

A book or movie I would recommend on leadership

The Leadership Engine by Noel M. Tichy.

The difference between a manager and a leader

A leader inspires and invents the future while a manager makes the present healthy.

All good managers are good leaders

No.

As told to N. Madhavan

Vol. 19, No. 12, for the fortnight May 31-June 13, 2010. Released on May 31, 2010.

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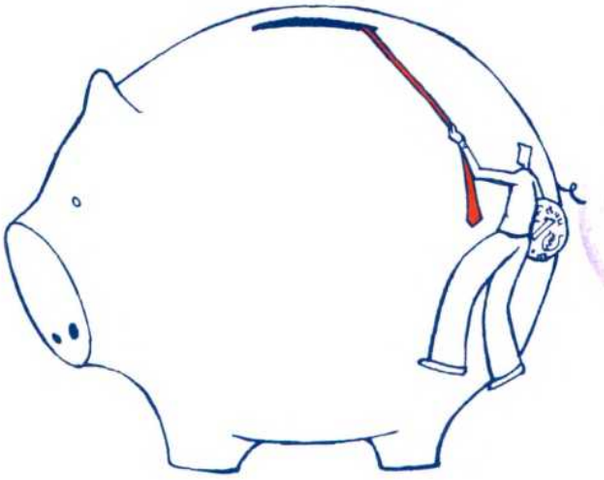

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GEN NEXT

INDIA'S HOTTEST START-UPS

BT's hunt for promising start-ups this year unearths gems with a difference: business models that survived a recession which felled many a giant. PG 34

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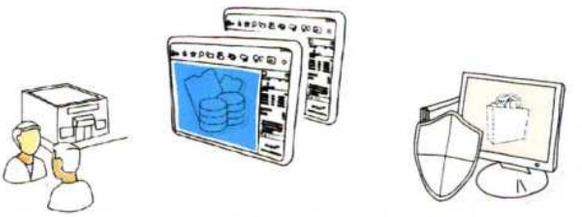

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From the Editor

Unlike money, entrepreneurship doesn't go in short supply during slowdowns. Why? Because opportunities don't get scarce in a downturn and nor does innovation. In fact, slowdowns—and the consequent cash crunch—make potential entrepreneurs look harder for real opportunities (as different from false ones) and work on sustainable innovations rather than fanciful ones. In other words, businesses born during troubled times should have a stronger immune system and therefore a better chance of success. That's what we set out to find in this year's listing of *India's Hottest Start-Ups* (pages 34-74). How is the generation of start-ups that's come up after the 2008 global financial crisis different from the earlier generation? Among several dozen new businesses that we scanned to prepare a master list, we also included some start-ups that were set up a little before 2008, but had to transform themselves because of the crisis.

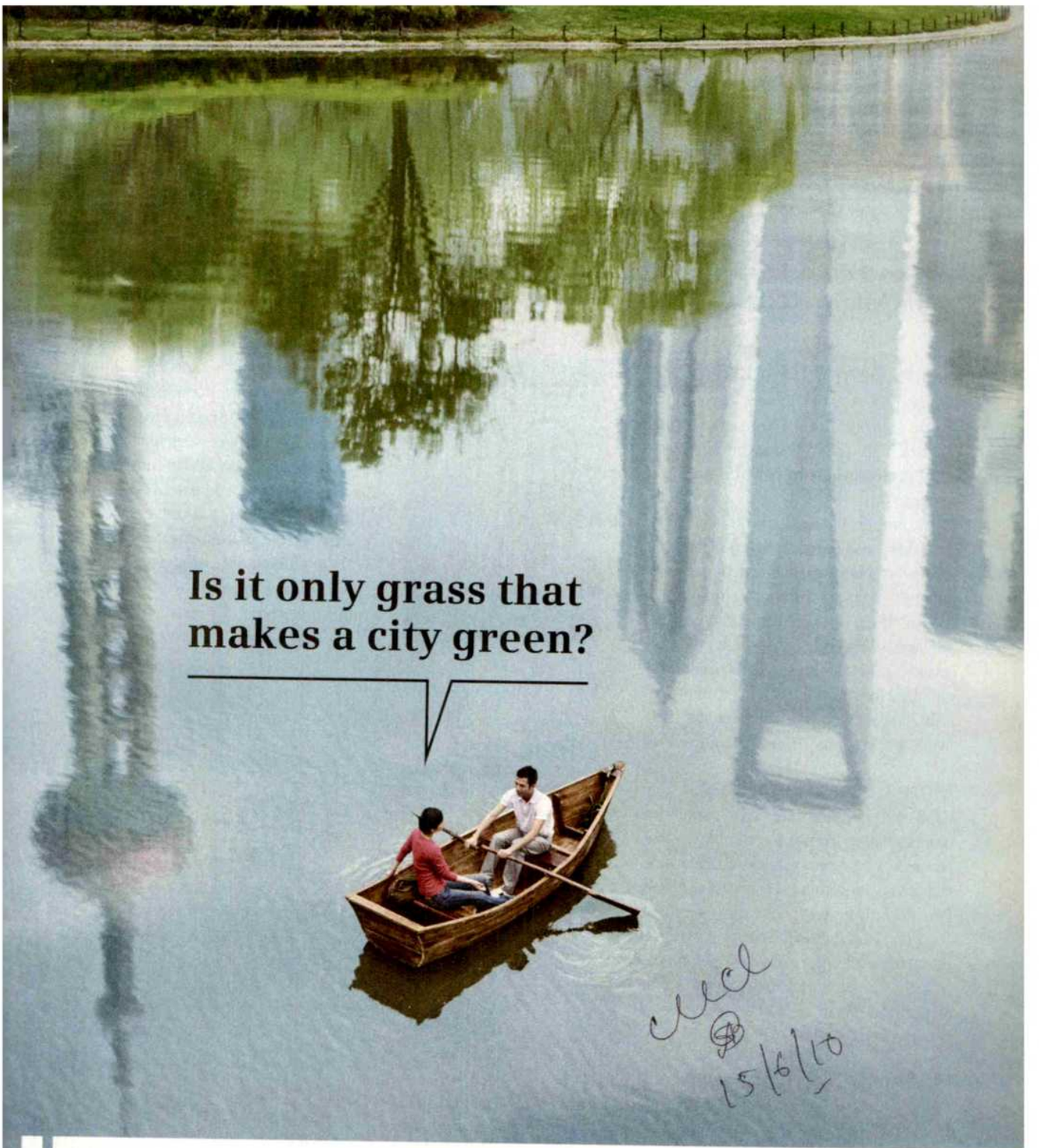
Our final line-up of entrepreneurs for this third special issue on Gen Next businesses is exciting and insightful. Ever heard of narrowcasting, as opposed to broadcasting? That's exactly what K.A. Srinivasan and his investors are betting their money on and are fast scaling up their business—so far. How about getting into a business of producing high-end photo books within 48 hours of a shooting assignment? Have doubts? Well, wedding photo albums alone is a billion-dollar business already. Our cover package is full of such examples. There are also some perspective-altering advices that entrepreneurs shared with us. Sample: "Free advice is most expensive" and "It's not people who aren't credit-worthy. It's banks that aren't people-worthy."

The power of collective bargain is something most consumers were aware of, but seldom used. After all, you can't buy 10 television sets just to get a heftier discount on each. Now you can—thanks to a clutch of new start-ups building their businesses around demand aggregation (pages 42-62).

Stories on and of start-ups in this issue point to one not-so-obvious conclusion: The spirit of entrepreneurship benefits everybody, no matter what careers or business we may be in. Taking calculated risks, spotting opportunities and being innovative is a good way to conduct professional—and personal—life. This is one valuable learning, among numerous others, I sign off on my second stint with *BT*. There is a new leader at the helm. You will get to know him on this page in the next issue. I thank you for your support and faith in *BT* all through my stint—and from much before. You will see *BT* reaching newer areas and touching new heights in future.

Rohit Saran

ROHIT SARAN



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Good Times for Grads

Happy times are here again for MBA and engineering graduates in India (*India's Top Recruiters*, BT cover, June 13). While students of B-schools and engineering colleges in America and Europe worry about job offers being yanked and salaries and starting bonuses shrinking, their counterparts in India are having what looks to be a bright recruiting year. **Vineet Achyut**, *Delhi*

Hiring Demand Picks Up

Jobs and salaries for this year's graduates are up sharply, thanks to an increasing need for high-quality managers and technical professionals to run the nation's growing businesses. As your cover story shows, much of the demand is coming from those traditional stalwarts of campus hiring—IT, telecoms, construction, banks and PSUs, consumer goods companies.... Also fuelling the recruiting drive is the addition of several high-profile financial services and consulting firms, including global firms as well as many Indian recruiters seeking to shore up talent for their overseas operations. **Neeraj Thakur**, *Pune*

More Equal than Others

Grads of top schools are always spoilt for choice as seen from the scramble among star recruiters to grab Day zero or Day one slot during placement season. As students here opt only for companies that offer them the maximum value proposition in terms of career and compensation, the placement game at these institutes is one in which the recruiter is just a player and not a referee. **Shashi Shekhar**, *Bangalore*

Prometheus Bound

India has not demonstrated any breakthrough innovations in technology, science and medicine in spite of producing some of the brightest minds in these fields (*Innovation*, BT cover, May 30). One reason could be the absence of deep financial markets that facilitate the flow of money into tech start-ups. Our per capita venture capital inflow is just $0.75 as compared to USA's $100 and Israel's $250 and our civilian R&D expenditure is 0.09 per cent of the GDP compared to Israel's 4.5 per cent. We score poorly on another indicator of inventiveness—patent filings. Only 35,000 patents were filed in India in 2007 in contrast to 456,154 patent applications in the US that year. But one out of 10 US patents in 2006 had an owner or co-owner with an Indian name, which goes to prove that Indians can be innovative given the right ecosystem. **Vineet Madhukar**, *Delhi*

Superior Software

Office Reloaded (BT, May 30) brings out the superior aspects of Microsoft's Office 2010. Features like collaborative authoring, mobile connectivity, photo/video editing, broadcasting, video trimming and web applications are nifty value-additions and make Microsoft's latest Office package an invaluable bundle of software. But I am sceptical about its availability, affordablity and the scope for its utility in Indian context. **B. Rajasekaran**, *Bangalore*

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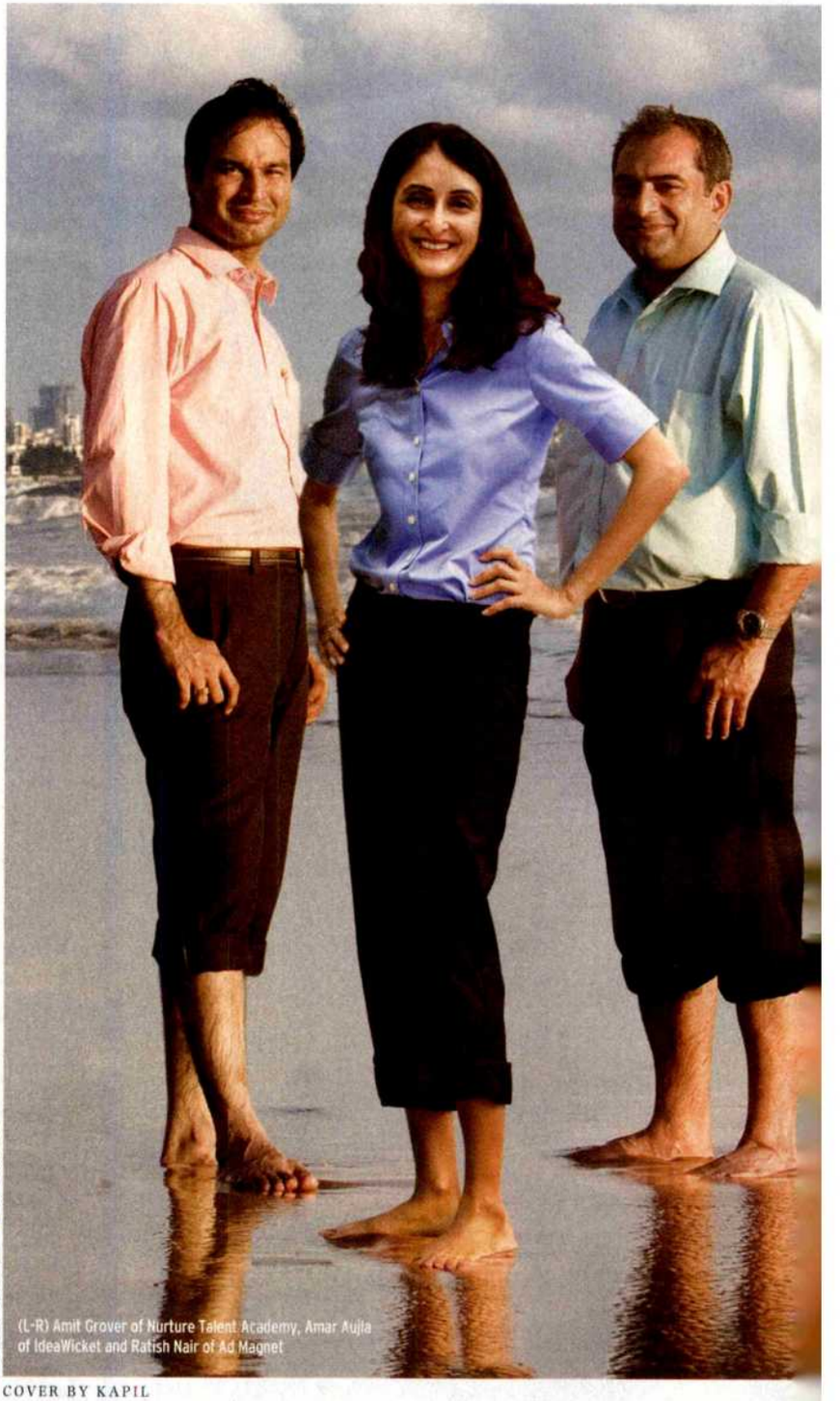

(L-R) Amit Grover of Nurture Talent Academy, Amar Aujla of IdeaWicket and Ratish Nair of Ad Magnet

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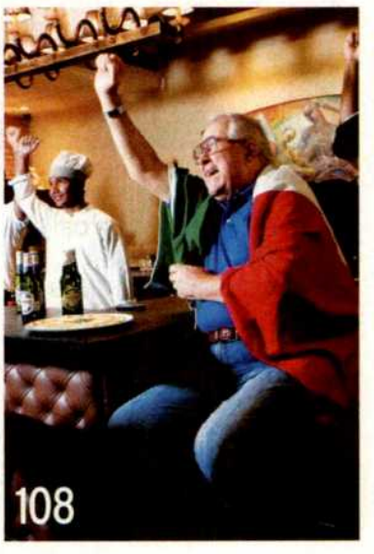

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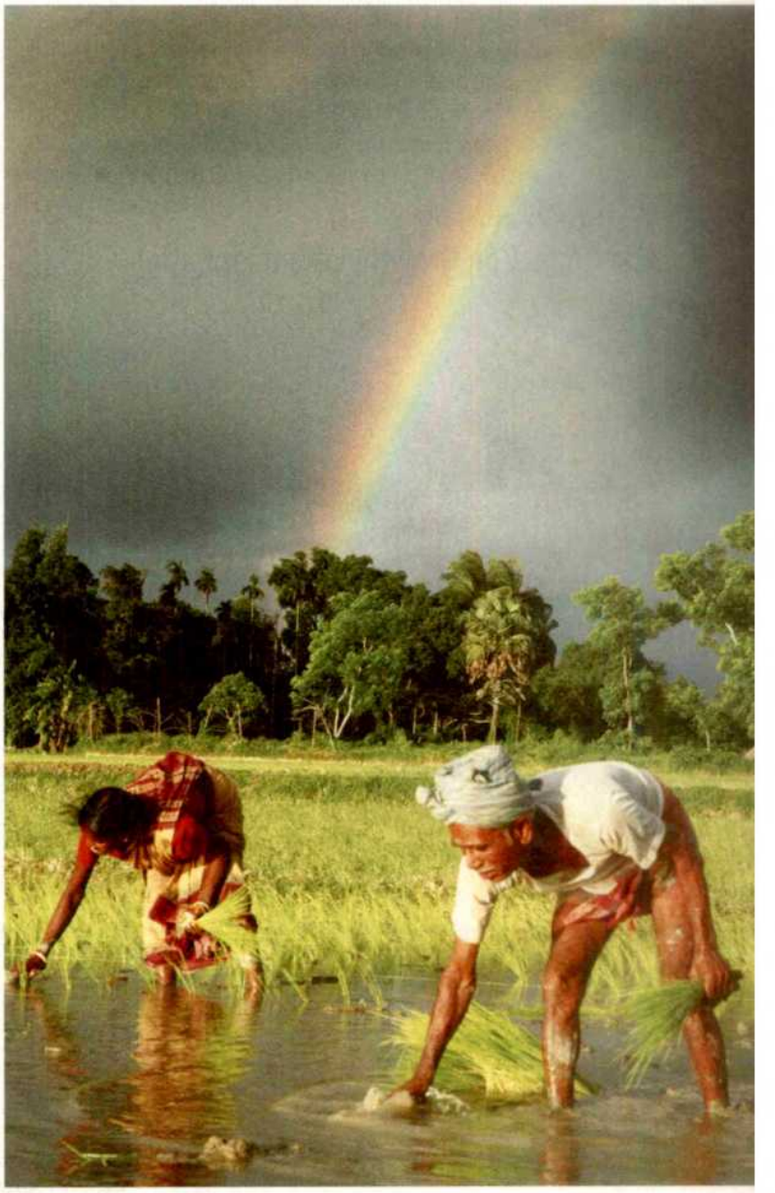
Monsoons Matter Less Than Ever...

... But the rural economy matters more than ever for India. That's not so much of a paradox, explains CRISIL Centre of Economic Research in this exclusive column.



AP

Monsoon failures in India have become more frequent and less predictable. The Indian Met Department failed to predict the two severe monsoon failures of the previous decade—in 2002, and more recently, in 2009. However, the rising incidence of bad monsoons has been matched by the Indian economy's increasing resilience in absorbing its impact. This has happened due to a structural change in the relationship between the agricultural sector, non-agricultural sector and the rural economy.

In 2009-10, although the country witnessed the lowest rainfall in the last three decades, the GDP expanded by 7.4 per cent and industry by 9.3 per cent. In 2004-05 and 2008-09, too, despite poor agricultural performance, non-agricultural GDP growth had remained healthy at 9.5 and 7.8 per cent, respectively. Empirical evidence, therefore, suggests that bad agricultural years have failed to dampen the performance of non-agricultural sectors.

Many factors have contributed to the

better endurance of the economy to agricultural shocks. The share of agriculture in the GDP has gone down considerably, and is now at 15 per cent. Consequently, even if agriculture has a tough year, the GDP would not be affected significantly. The link between agriculture and non-agriculture has weakened over the years, with the rural population increasingly relying on non-farm income for their livelihood. This trend has been further reinforced by employment creation through the National Rural Employment Guarantee Scheme. Such transfers from the government enhance rural purchasing power, and thus grant some cushion to rural demand during bad agricultural years.

A growing portion of agriculture and its allied activities is becoming resilient to the vagaries of the rains. This is evident from the 2009-10 performance. During the year, though the rainfall was 23 per cent below normal, the agriculture sector registered a positive growth of 0.2 per cent. This is due to the diversification of agriculture and good winter crops. While the overall foodgrain production contracted in 2009-10, the production of horticultural crops increased.

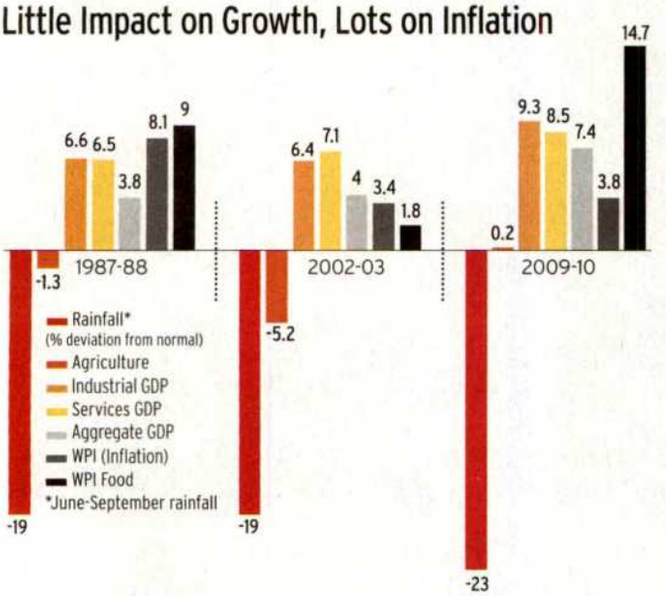
Agriculture is no longer synonymous with rural economy. In fact, the rural economy is growing at a faster pace than agricultural GDP.

Clearly, agriculture is no longer synonymous with the rural economy the way it was a few decades ago. Agriculture's contribution to India's GDP came down to 19 per cent in 2004-05 from 30 per cent in 1993-94, but the contribution of rural economy to national GDP declined only to 48 per cent from 54 per cent during the same period. Clearly, the rural economy is growing at a faster pace than the agricultural GDP.

The recent data published by the Central Statistical Organisation (CSO) also signals the rising importance of the rural economy for some of the fast-growing sectors in India. For instance, the rural economy contributed 66 per cent to the mining sector's GDP in 2004-05 compared to 42 per cent in 1999-2000 (the latest year for which CSO has published rural-urban break-up of GDP is 2004-05). Likewise, in trade, hotels and restaurants, the contribution of rural GDP to total GDP went up to 41 per cent in 2004-05 from 27 per cent in 1999-2000. A similar change was noticed in the transportation sector. The resilience of the rural sales to poor monsoons is further established by the good performance of auto sales (particularly two-wheelers) in 2009-10.

BY DHARMAKIRTI JOSHI, CHIEF ECONOMIST; HRIDAY KANT, ECONOMIST, CRISIL

Little Impact on Growth, Lots on Inflation



KULDEEP

WORDSMITH

NEW WORDS IN BUSINESS

SALMON DAY

WHAT IT MEANS

A day spent making a lot of effort to achieve something but getting nowhere in the end.

Abolishing Hunger?

With Sonia Gandhi at the helm again, the National Advisory Council is expected to push forward the social sector agenda of the Congress—particularly the Food Security Bill. However, there are several loose ends to be tied up. MANU KAUSHIK

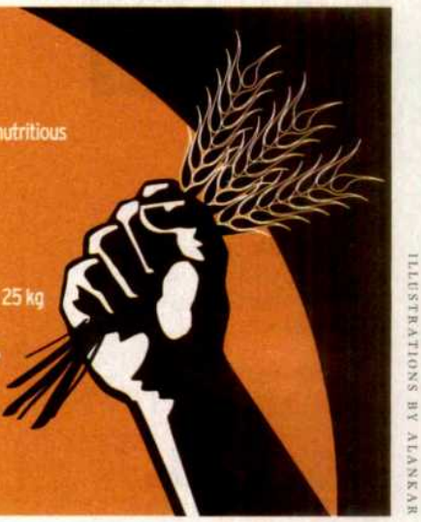
What is the National Food Security Bill? When it becomes law, it will make the right to food a fundamental right for all citizens of the country. It guarantees food to the poorest people at a subsidised cost. It also gives people the right to approach courts and demand their right to food. If not delivered, officials can be held responsible and even punished.

What has been proposed? The Bill says that families below the poverty line (BPL) in rural or urban locations should be entitled to receive up to 25 kg of foodgrain at Rs 3/kg per month. At present, BPL families are provided with 35 kg of rice or wheat per month. Wheat is available at Rs 4.15/kg and rice at Rs 5.65/ kg. The Bill is still under preparation and a draft will be placed soon in the public domain for scrutiny and wider consultation.

Cost to government: At 25 kg of foodgrain per family, and given the Tendulkar Committee's estimate of 8.3 crore BPL households (which could be the basis of the National Food Security Bill), the government needs to spend up to Rs 54,200 crore a year.

What Can Be Done

- A law that guarantees access to "safe and nutritious food" equivalent to the global standards
- Revamp the targeted public distribution system (TPDS) to weed out corruption and leakages.
- The law could raise the monthly quota from 25 kg per household to 35 kg . The government is already providing 35 kg of foodgrains to the BPL families under the TPDS.
- Appointment of state food commissioners to ensure transparency and accountability



ILLUSTRATIONS BY ALANKAR

Problems with the proposal: The biggest challenge for the proposed Bill is to reach the right target groups. There are several benchmarks for identifying the country's poor at present, each with a different set of determinants. If BPL cards issued by states are taken into account, the number adds up to 11.5 crore, while, according to the Planning Commission, it is 6.52 crore families. Also, there are delivery issues. The existing targeted public distribution system or TPDS is highly inefficient and most of the targeted beneficiaries are left out. Given the record of many Central schemes, there is a high probability that benefits may not reach the intended beneficiaries.

Global precedents: Only four countries have a law on food security: Argentina, Brazil, Ecuador and Guatemala. According to international practice, food security is linked to physical, economic and social well-being of individuals and includes availability of balanced diet, clean drinking water and sanitation. However, the bill doesn't talk about nutrition security.

ORIGIN

Derived from the behaviour of salmon fish which swim upstream against strong river currents and even up rapids, to reproduce.

USAGE

After working for six hours on that Excel sheet, the hard drive crashed and all the data is gone. Guess it's another salmon day!

After Future Comes Currency Options

SEBI is readying the framework for more currency derivative products, beginning with options. What are they and how do they differ from currency futures? ANAND ADHIKARI

What are currency options: They are tradable instruments that provide an option or the right to buy or sell currency during a specified period of time at a specified price. They are just like stock options with the only difference being the underlying asset—a foreign currency asset, a US dollar, euro or yen.

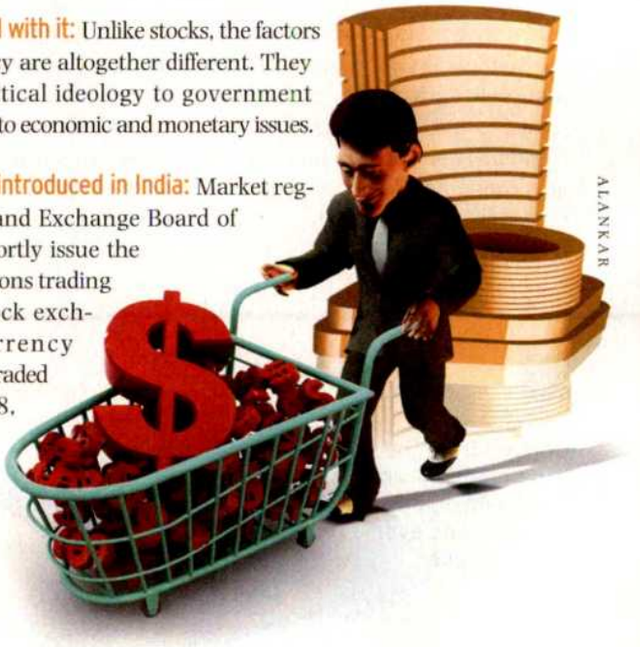
How it works: Options allow a derivatives trader to take a bet on the future direction of a currency. A trader can buy (a call option) if he thinks the currency will appreciate, and sell (put option) if he foresees a grim future for a particular currency.

How they differ from currency futures: The biggest difference is the risk. With currency futures, a trader is exposed to unlimited losses or profits as the buyer or seller is under obligation to honour the contract. The risk in buying a currency option is, however, far less as the losses or profits are limited to the option premium which he pays at the time of entering into a contract. This is because the trader has an option and a right (with no obligation) to use the contract to his advantage on expiry.

Who benefits from it: Currency options offers investors, traders and corporates a hedging tool. They also give speculators another platform to make money on currency movements. There are large engineering firms, for instance, which have foreign exchange receipts and also outstanding payments in multiple currencies that require proper hedging.

Dangers associated with it: Unlike stocks, the factors affecting a currency are altogether different. They range from a political ideology to government policies (like China) to economic and monetary issues.

When will they be introduced in India: Market regulator Securities and Exchange Board of India (SEBI) will shortly issue the framework for options trading on the Indian stock exchanges. The currency futures have been traded since August 2008, starting from rupee-dollar to a handful other currencies now.



ALANKAR

NUMBERS OF NOTE

1.7 BILLION

The number of people who have used the Internet, according to the International Telecommunication Union. That's likely to double by 2015.

140

Is Bangalore's rank in the Quality of Living survey by Mercer. Vienna topped the charts and Baghdad (221) was at the bottom. New Delhi (143) inched past Mumbai (144).

100 MILLION

The number of people who are expected to use 3G services in five years in India, according to Crisil Research.

$40 BILLION

The funds that Highways Minister Kamal Nath thinks India will have to raise from the private sector to reduce the country's 'road deficit'.

8.5 PER CENT

India's projected economic growth in the current fiscal, says the UN. China is expected to grow by 9.2 per cent. Global economic growth is pegged at three per cent.

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Buildings
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Application

An application which backs up data from your mobile device and locates it when it gets lost. All for free!

mylookout.com

This is an application for Android, BlackBerry and Windows mobile devices, with an upcoming iPhone release (using Symbian Series 60, we feel bad for you!). The application backs up your contacts and your call records and can also back up your pictures which you can then access from the website, www.mylookout.com. It also can do a virus-scan for all the applications that you are downloading into your device, particularly useful if you download "unofficial" applications not approved by the manufacturer. The service has a locator, useful if your phone is lost or stolen. If you lose or misplace the handset, you can go online and get the device to give out a very loud alarm (the service calls it a "scream"). All this, and free. You can go to the website for a download link or download it from the device's download site (e.g. Android Marketplace).

KUSHAN MITRA

A new BlackBerry and a new Mac, that should make one happy!

A New Berry?

BlackBerry OS 5.0

Millions of people might be addicted to their BlackBerry devices, but the fact remains that when it comes to usability the devices from the Canadian firm Research In Motion (RIM) have been left behind by Apple and Google. But RIM now responds with a new operating system (OS). The BlackBerry Bold 9700 along with the Storm 2 are the first two devices to feature the newer, snappier OS, though RIM says several other popular devices like Curve 8900, Bold 9000 and Curve 8530 could also get the upgrade. Essentially, everything seems to run faster now. For example, BlackBerry devices were notoriously slow in indexing media; that happens in a jiffy now. Then, the old browser was dreadfully slow and could not resolve web pages with Java; the new version is much faster. The mail interface is also improved and coupled with a new release of BlackBerry Exchange Server for the backend allows users to organise and sort their mail a lot better than before. KM

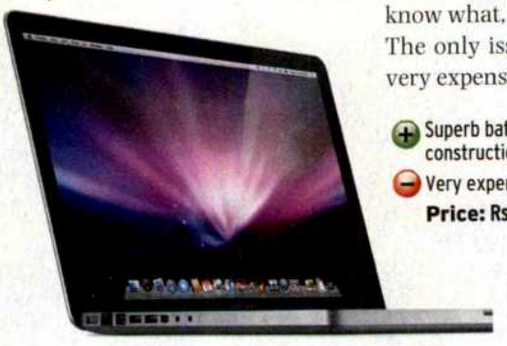
⊕ Better browser, faster all-round performance

⊖ Still has a way to go to catch up with the iPhone and Android

Battery Power!

Apple MacBook Pro 13-INCH

When Apple updated its MacBook Pro family of laptops last month, the smallest member of the family, the 13-inch MacBook Pro, did not get one of Intel's new family of processors like its bigger siblings—the 15-inch and 17-inch machines with i5 or i7 processors. This is possibly because the device could not support both a new processor and a discrete graphics card like the bigger computers. But the smaller machine still does have a few pluses. In addition to its relatively light-weight thanks to its aluminium unibody construction, it has stellar battery life—one upgrade the "new" 2010 model got. Apple claims 10 hours and, you know what, they're not too far from the truth. The only issue is that the 13-inch model is very expensive. KM



⊕ Superb battery life, very light construction, excellent construction quality

⊖ Very expensive

Price: Rs 72,900 inclusive of taxes (2.4 Ghz model)

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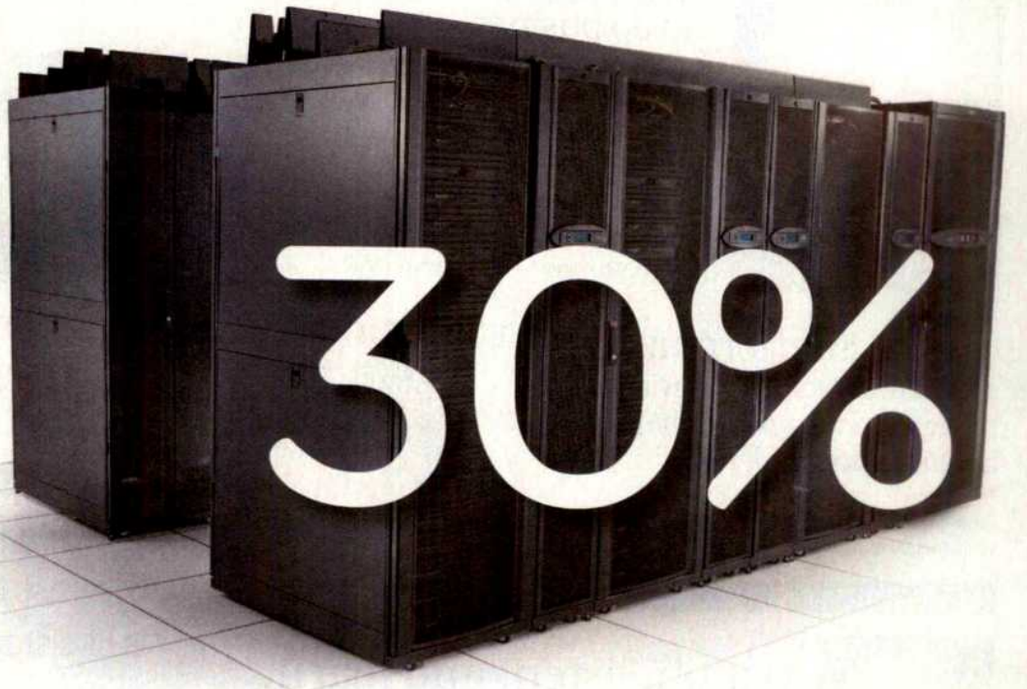

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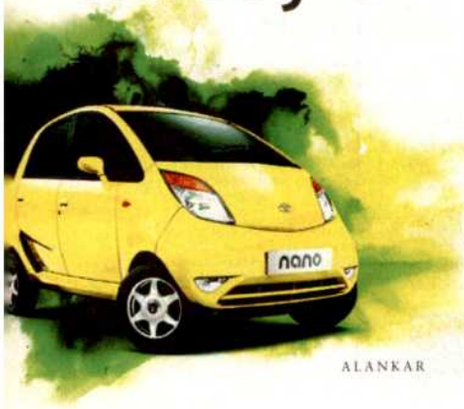
In the Spotlight

TATA NANO

Nano's Real Test Begins



ALANKAR

In an irony of sorts, the Tata Nano finally started rolling off the main assembly lines at Sanand in Gujarat on the same day—Wednesday, June 2—that its bête noire Mamata Banerjee won a stunning electoral victory in civic polls across West Bengal. A year-and-a-half ago, Banerjee had led a vitriolic resistance to the Nano's initial factory at Singur near Kolkata forcing Tata Motors to shift the project. However, while mass-scale production has begun, things have not been going all that well for the "world's cheapest car". After incidents of cars catching fire, Tata Motors has started adding additional protection to fuel-lines of all Nanos, though the company, which is dealing with the exit of its passenger car head Rajiv Dube, insists it's not the same as "recalling" the car.

At the same time, demand has hardly been as dramatic as the hype preceding the launch would have had most believe. The company had hoped to sell 100,000 cars made at its Pantnagar plant by the time production began at Sanand, but has moved around only 70,000 units until now. Dealers are optimistic that mass production and an economy back on its feet will bring renewed demand. Despite reports that production will take a while to ramp up, component makers such as Sona-Koyo Steering Systems told this magazine that "everything is going according to plan". But engine redesign for the mandatory compliance with the Bharat Stage IV emission norms has punched a hole in Ratan Tata's promise of "price-protection" at Rs 1 lakh a car. So, what is next for Project Nano? -KM

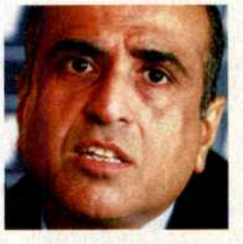
Well Said

The companies that want to do business in those areas must make local villagers stakeholders. Once they themselves are a part of the project, they would protect you from the Naxals.

G.K. Pillai,
Home Secretary, on Naxalites becoming a menace to India Inc's expansion plans, in The Times of India

The auction format and severe spectrum shortage along with ensuing policy uncertainty drove the prices beyond reasonable levels.

Sunil Bharti Mittal,
Chairman and Managing Director, Bharti Airtel, on the 3G auction, in Financial Times, *London*



In most other countries, trying to grow is like climbing the stairs one at a time. But in the case of India, it is like stepping on to an escalator.

Lloyd C. Blankfein,
Chairman & CEO, Goldman Sachs, in The Economic Times

CLASSIC BUSINESS QUOTE

Watch, listen, and learn. You can't know it all yourself. Anyone who thinks they do is destined for mediocrity.

Donald Trump

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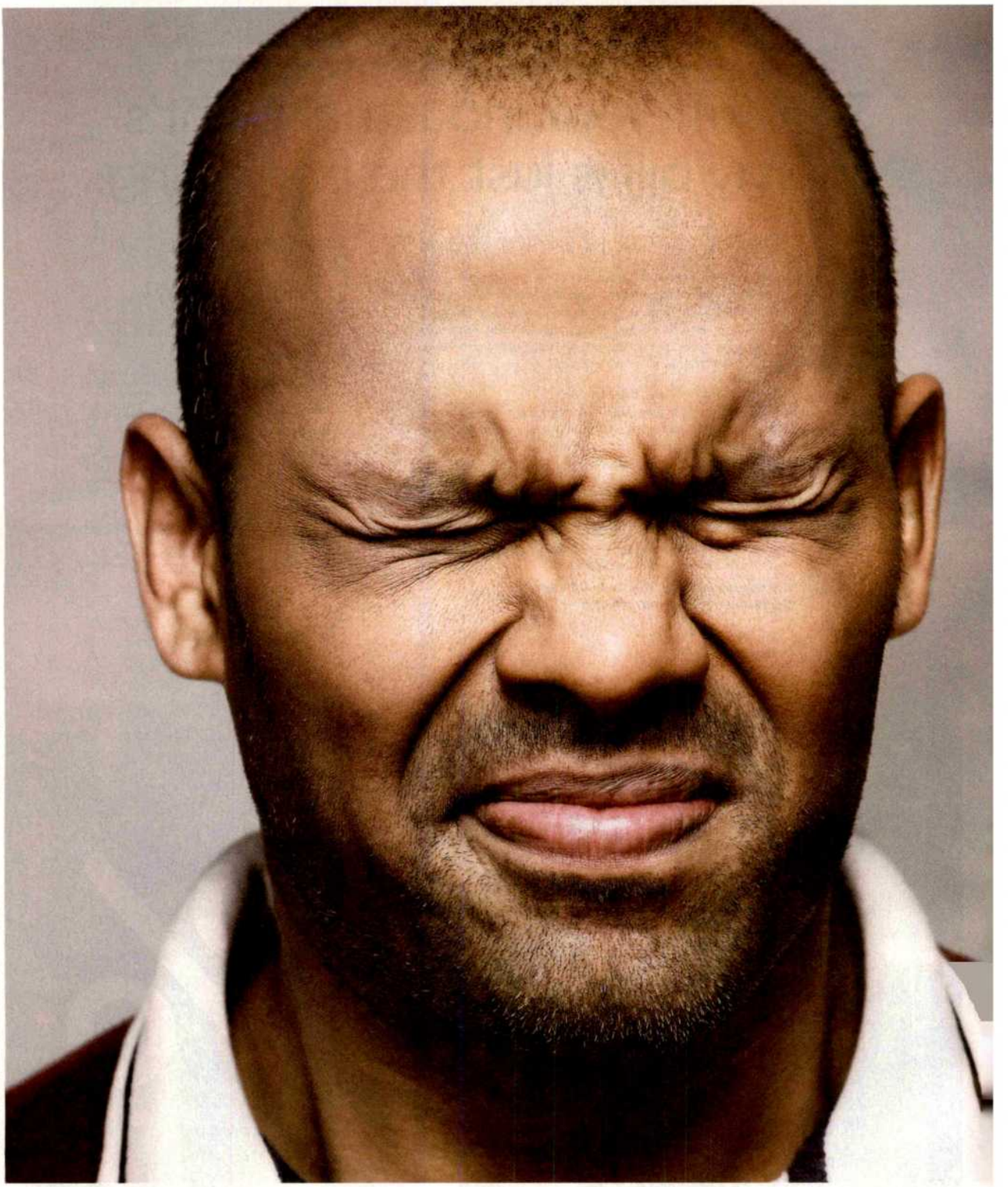

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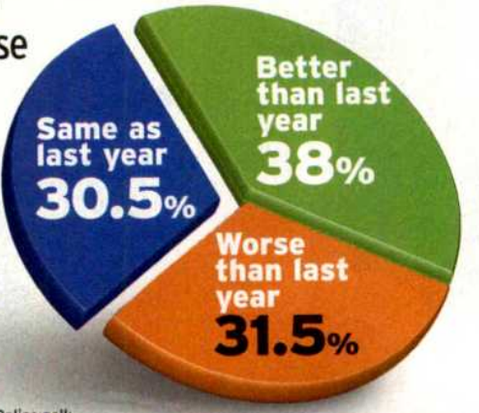
How good was your salary increment this year: Better than last year; worse than last year; or same as last year?

In my case, the increment this year has been much better than that last year. In 2009, the performance of the FMCG sector was under pressure because of the global downturn. Today, the overall economic scenario has improved considerably.

P. Ganesh,
Vice President (Finance & Commercial), Godrej Consumer Products

This year, at least we have got some salary hikes. But these increments are not even close to what we used to get in 2006 and 2007. Even though the deal market has seen a major uptick of late, we are still not as aggressive as we used to be in the past years.

Vishesh Chandiok
Partner Head, Grant Thornton India



Results of *BT* Online poll; No. of respondents: 208

Next poll question: Is gold a safer long-term investment option than stocks?

Log on to www.businesstoday.in to cast your vote

COMPILED BY MANU KAUSHIK

BT-CARMA

CEO WATCH

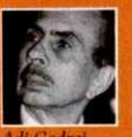
Mukesh Ambani

The spotlight was firmly on Mukesh Ambani and no prizes for guessing why. The Supreme Court verdict on RIL-RNRL dispute was dissected by the media in great detail. But strangely, no unfavourable comments were recorded about the Ambani brothers. Mukesh's comment on the possibility of crude prices flaring up to over $100 a barrel, too, hit the headlines. The IPL controversy also ensured that Ambani stayed in the news as the franchise owner of Mumbai Indians.

INDIA'S AND THE WORLD'S MOST TALKED-ABOUT CEOs IN MAY

TOP 10 INDIAN CEOs

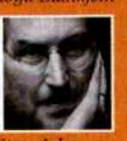
Anil Ambani


Adi Godrej

Rank	CEO/Company	No. of Stories
1	Mukesh Ambani | RIL	71
2	Anil Ambani | ADAG	65
3	Chanda Kochhar | ICICI Bank	17
4	O.P. Bhatt | SBI	16
5	S.K. Roongta | SAIL	13
6	Rahul Bajaj | Bajaj Auto	11
7	Adi Godrej | Godrej	9
8	M.V. Nair | Union Bank of India	8
9	R.S. Sharma | ONGC	8
10	G. Padmanabhan | Bank of Rajasthan	7

TOP 10 GLOBAL CEOs

Lloyd Blankfein


Steve Jobs

Rank	CEO/Company	No. of Stories
1	Lloyd Blankfein | Goldman Sachs	190
2	Warren Buffett | Berkshire Hathaway	105
3	Tony Hayward | BP	93
4	Steve Jobs | Apple	54
5	Rupert Murdoch | News Corp	47
6	Sergio Marchionne | Fiat	40
7	Mukesh Ambani | RIL	38
8	Marius Kloppers | BHP	38
9	Tidjane Thiam | Prudential	38
10	Josef Ackermann | Deutsche Bank	35

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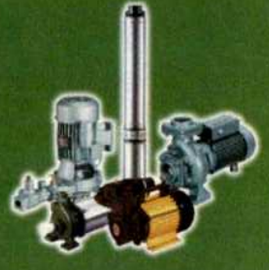

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FMCG Turnaround

The fast moving consumer goods (FMCG) companies are working up a lather once again after a prolonged lull in sales growth, if the latest figures from AC Nielsen is anything to go by. There has been a sharp uptick in sales helped by a big jump in advertising spends across product categories. Total sales growth for the sector reached an eight-month high of 14 per cent in April year-on-year. The sector had been buffeted by a combination of a spike in raw material prices and downtrading by consumers in 2009 during the slowdown. Analysts say the worst is over. Says Anuj Bansal, Research Analyst, DSP Merrill Lynch (India): "There will be a strong recovery in growth in the second half of the current year, led by price hikes, higher volume growth as food inflation subsides and a normal monsoon supporting rural growth."

FMCG giants have recorded robust sales growth...

Over April 2009

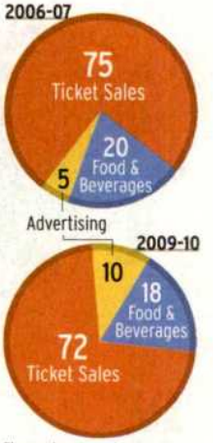
... helped by sharp hike in ad spends in 2010.

Source: AdExIndia (a division of TAM Media Research)
Figures are based on secondages
Index: Q1 2009 = 100

Twice as Nice

Revenues from advertising have almost doubled for the multiplexes in the last three years.

Recently, when Whirlpool India released a 3D commercial for its new Proton series of refrigerators, it created a stir. Not only was it the first 3D ad in India, but, more significantly, it was specially targeted at cinema audiences. Whirlpool, in fact, has a different television ad for the same brand. Earlier, in end-2007, Interactive Television, a stand-alone entertainment marketing company that claims almost 40 per cent of the cinema advertising market, was snapped up by GroupM, the WPP-owned media behemoth. Joining the dots: It demonstrates the growing clout of cinema advertising—for long given the short shrift by India Inc.



Figures in per cent
Source: Industry Estimates

Indeed, all the top brands are today present in cinema halls, thanks to the expanding presence of multiplexes across urban India. And in the race to grab the piece of cinema spends are various multiplex chains. Their USP: A captive audience of upwardly mobile middle class with spending power. They also offer a creative interplay of sound effects and visuals that can be unique to the big screen. The change in technology—where movies are released digitally—has also added to the appeal of cinema ads for advertisers. "The biggest barrier to growth in the past was that advertisers were unable to track and monitor ads. But that is changing because of the digital release of films today. Now it is possible for advertisers to know that even a theatre in a small town has actually relayed the ad or not," says Ajay Mehta, MD, Interactive Television.

Advertising already is a critical source of revenue for multiplexes today. In the last three years, its contribution to the revenue basket of the cinema industry has almost doubled. It added up to Rs 150 crore in 2009-10, or 10 per cent of revenues. (*See chart*). Gautam Dutta, CEO, Cinemedia, PVR, insists it's a win-win for everyone. "Marketers can choose the kind of exposure they want, the region where they want it and the time frame. We give them fool-proof guarantees on this front," he says. Cinema advertising is, it seems, then coming into its own as a medium.

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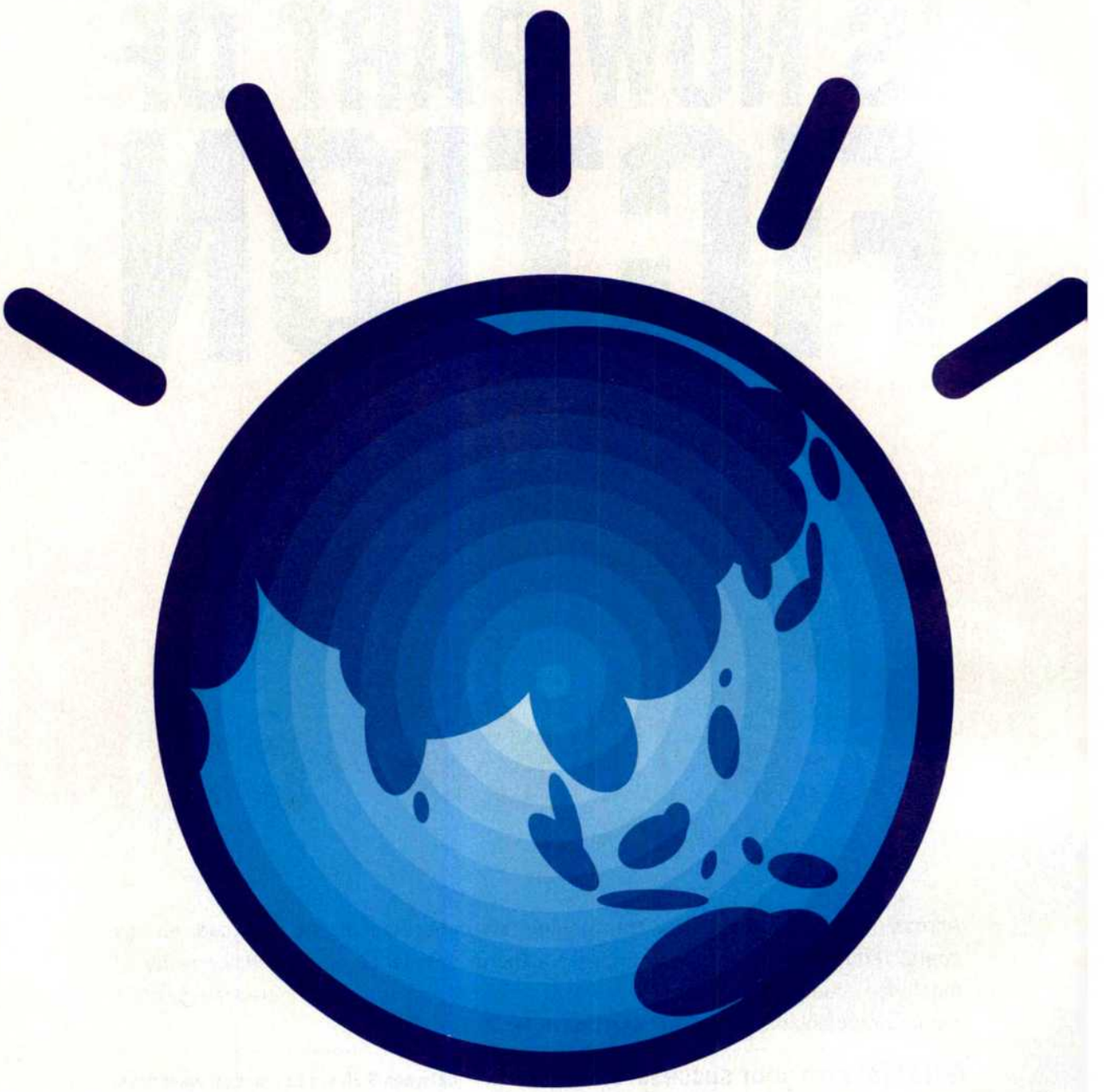

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Building a Smarter Planet: 1 in a Series

Welcome to the decade of smart.

A year ago, we began a conversation about how our planet can become smarter. A year into this new era, the signs of a smarter planet are all around us. Smarter systems are creating value in every major industry across the world.

Intelligence is being infused into systems and processes that make the world work — cars, appliances, traffic systems, power grids, even natural systems such as agriculture and waterways.

Trillions of digital devices, connected through the Internet, are producing an ocean of data. And that information can now be turned into knowledge because we have the computational power and advanced analytics to make sense of it all.

In a study of 439 cities, those with transportation congestion systems reduced average travel delays by more than 700,000 hours annually. Leading retailers reduced supply chain costs by up to 30% and increased sales by up to 10%.

It's happening in India as well. Grameen Koota, a micro-finance organisation, employed a real time data transmission system that drastically reduced loan approval processing time and increased their served customer base of 70,000 to over 400,000 in less than three years. Indian Railways implemented an automated Crew Management System to manage its workforce of over 100,000 employees, resulting in new efficiencies in daily operations.

We've learned a lot over the past year about what it takes to build a smarter planet. We've also learned about the issues it raises in India and elsewhere — like protecting personal information and securing critical infrastructures.

Business leaders, policymakers and government officials around the world are currently stepping up to these challenges. The time to act is now, and the way to act is together. The decade of smart is under way.

Let's build a smarter planet. Join us and see what others are doing at **ibm.com/smarterplanet/in**

WON'T HOLD WATER

The effects of global warming, changing rain patterns and uncontrolled water use have set off policy alarm bells the world over. In addition to these, urban migration in India–40 per cent of Indians are predicted to live in its cities by 2030–poses an entirely new dimension of stress on water supply systems. Industry body Confederation of Indian Industry and consultants **PricewaterhouseCoopers** throw light on the situation and lay out what it will take to tackle the water management challenge staring India in its face.

3.57
million people die each year from water-related diseases

84%
of water-related deaths are among children aged 0-14

98%
of water-related deaths occur in the developing world

884
million people lack access to safe water supplies. That is approximately one in eight people

Every 15 seconds, a child dies from a water-related disease.

= 4 deaths/minute

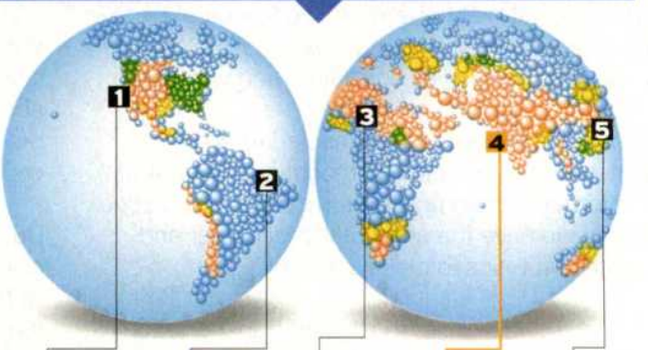
Left High and Dry

The development of the global water market is being shaped by:

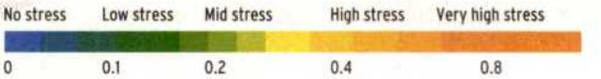
Explosive global population growth: Demand for water is increasing further as a result of demographic changes.

Inadequate infrastructure: Drinking water supply and waste water treatment abysmal in many countries. Major investments are required to upgrade water systems.

THE STRESS POINTS: Climate change can affect water quality, as higher water temperatures, increased rainfall intensity, and longer periods of low water levels exacerbate various forms of water pollution.



1. Multi-year droughts in the US and southern Canada
2. Water supply reduced by erosion and sedimentation in reservoirs in north-east Brazil
3. Area of Lake Chad in north-central Africa is declining
4. Health problems due to arsenic and fluoride in groundwater in India
5. Huang-He River has run dry because of lower rainfall and increase in water use for agriculture



5 STEPS TO HERE
REVA'S TANGO

1

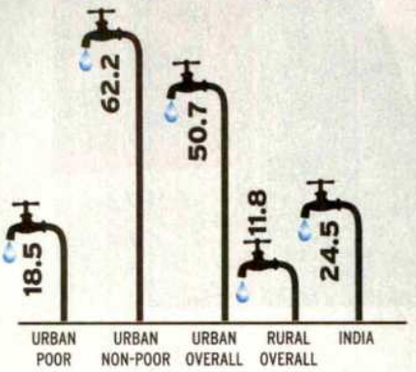
1994
Reva founded as a JV between the Maini Group & AEV LLC of California. Its mandate: manufacture electrical cars.

2

2001-02
Reva's first car hits the road. Begins exports to Nepal and to Europe. (By 2006, 600 Reva cars ply on London roads.)

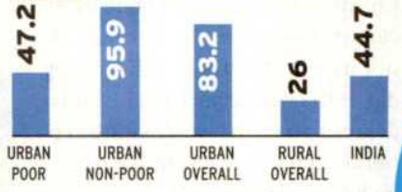
How India Is Coping

Percentage of households having access to piped water.



Less than one-fifth of slum households has access to piped water supply at home. Poor water and sanitation contribute to a higher prevalence of morbidity in slums.

Percentage of households with access to basic sanitation.



Less than half of urban poor has access to toilets. A smaller percentage of households (16.8 per cent) does not share toilets with other households.

The Problems

Urban water in India is plagued by varied issues:

- Environmental ones like receding level of ground- water and deterioration of water quality
- Social issues like lack of awareness about efficient usage and proper waste disposal methods
- Governance concerns like unplanned investments in increased coverage of water supply infrastructure; and technical issues like leakage and irregular monitoring of water quality
- Inadequate investments in water and sanitation

The Central Public Health and Environmental Engineering Organisation has estimated the requirement of funds for 100 per cent coverage of the urban population under safe water supply and sanitation services by the year 2021 at **Rs 172,905 crore**

Business of Managing Water

Market demand will mean attractive investment potential in four clusters:

Distribution and management: Companies that offer solutions for upgrading water mains and sewer infrastructure, develop systems for supplying fresh water and removing wastewater.

Advanced water treatment: Companies that play a role in the disinfection of drinking water, treatment of wastewater or desalination of sea water. Also, companies that provide the necessary control systems and analytical instruments.

Demand-side efficiency: Companies offering products and services that boost the efficiency of water use in households or industry.

Water and food: Companies that develop products to improve water efficiency and reduce pollution in crop irrigation and food production.

ALANKAR

BT Retro

The Fall(Out) of Tech

BT Editorial January 22, 2000

An analysis of the Sensex's rise and fall in the first week of January 2000 demonstrates how it, too, like the NASDAQ, has been riding on the back of the tech stocks. Clearly, it was tech that was the red rag to the bulls on the BSE. And it was tech that was the matador that brought them to their knees. So steep was their fall that, in just three days, the market capitalisation of the 126 software stocks listed on the BSE eroded by between Rs 35,000 crore and Rs 1,96,400 crore.

Does that mean that India's software boom has bottomed out? Far from it. While the valuations of most tech stocks are still overstretched, through 1999, they were caught in a maelstrom of speculative frenzy that could not have lasted forever. While the strong scrips notched up unheard-of gains-like Infosys Technologies, which, at one point, gained Rs 1,500 a day to shoot past Rs 16,000, even the stocks of the lesser-known tech firms have been on a non-stop roll. In fact, not a single trading session went by without the tech stocks setting records.

(**NOW:** IT bluechips like Infosys continue to hold their own on Dalal Street after successfully paring their dotcom exposure and working out new revenue streams. But many of the mid-sized and small IT companies fell out of favour with investors after failing to evolve viable business models after the dotcom bust.)

3

ecember 2006
aper Fisher Jurveston and
bal Environment Fund pump
) million into Reva.

4

September 2009
General Motors Indian unit and Reva agree to jointly develop and produce electric vehicles.

5

May 2010:
M&M steps in to buy 55 per cent of Reva, prepares for the US launch. GM exits.

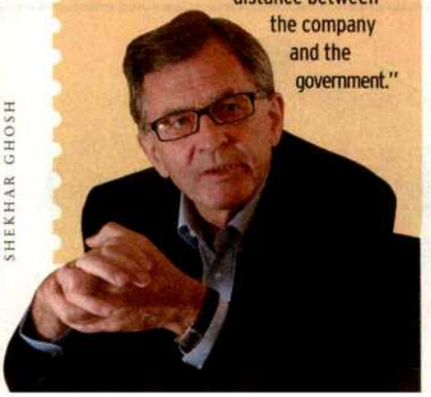
T.V. MAHALINGAM

INDIA IS NOT FOR THE RISK AVERSE

Norwegian telecom giant Telenor has rolled out its services in five circles and plans a pan-India footprint soon. On a recent visit, **HARALD NORVIK,** *Chairman of the Board, spoke to* **BT'S KUSHAN MITRA** *on why India is a vital market.*

"We knew that India is an extremely competitive market in most industries, but it's particularly so in telecom. Therefore, if you are risk averse, you probably should not look at India. We believe we have a business model that has elements that can also be attractive in India. Our products and our customer focus could be our competitive advantage here. We decided to come into India with a partner (Unitech) that had a licence at the time. It was a difficult decision. In India, you know you will have long-term negative cash-flow. But I must admit that the little that I have seen I am highly impressed with the amount that we have done, reached out to thousands of sales points and to millions of people. Coming from a country of five million, India is just immense, but I have confidence in my team here.

India should know that we have an owner—the Norwegian state—that is stable. And it gives us, as a company, the ability to be long term. In 2000, the decision to semi-privatise Telenor was taken. In Norway, you have a tradition of the state being heavily involved in companies, but there is also a tradition of partnership with private companies. We are, in my view, a very competitive company that you can compare with the best in the world. But it is important to realise that there is an arms length distance between the company and the government."



SHEKHAR GHOSH

NISHIKANT GAMRE

CHIEF EXECUTIVE FOR ASIA PACIFIC, HSBC

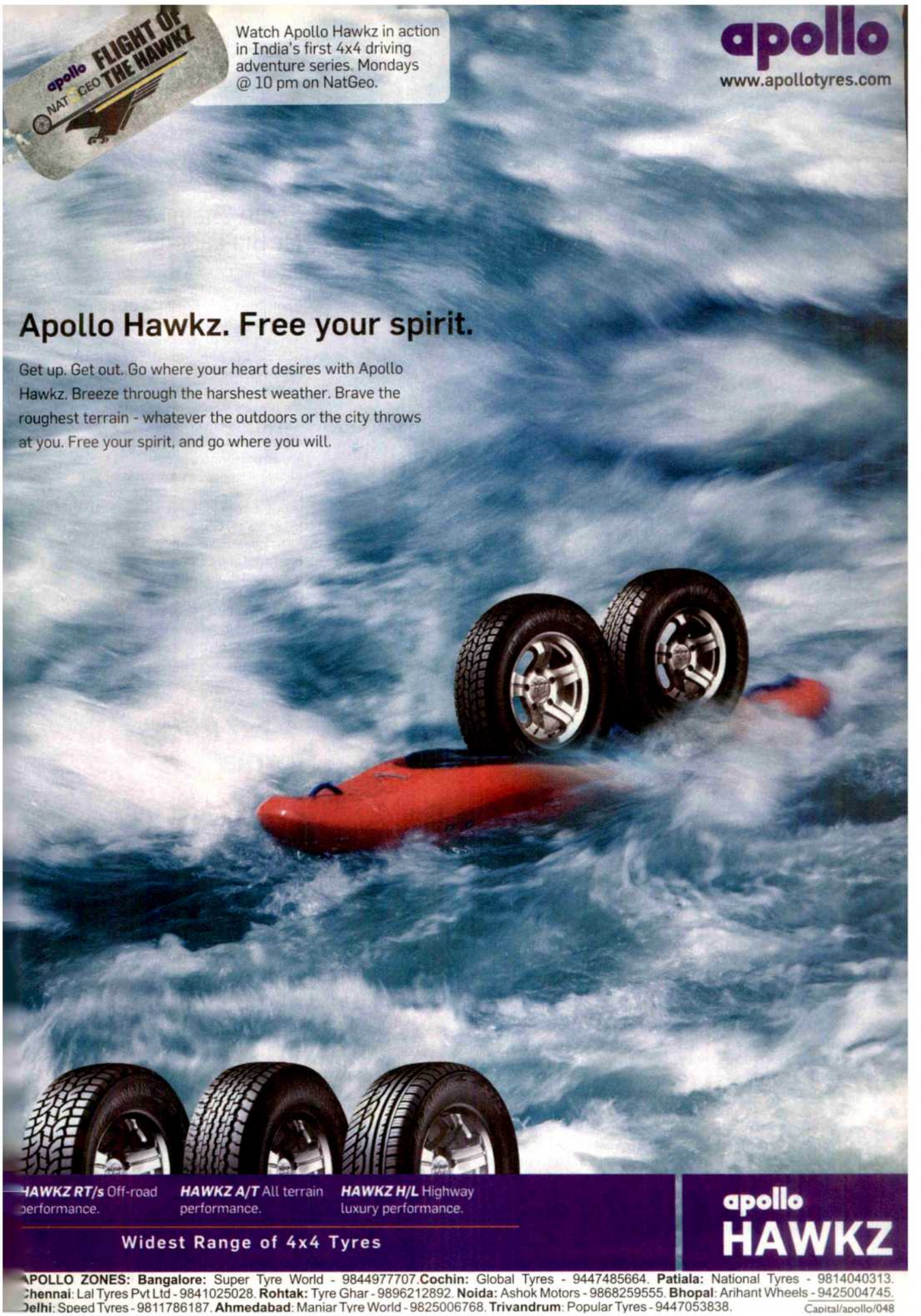
"Europe Has Learnt from US Experience"

PETER T.S. WONG, *HSBC's Chief Executive for Asia Pacific, was in India recently on a whistlestop business tour. In a candid interview with* **BT'S RAJIV BHUVA,** *Wong shared his views on the European crisis and how Asia is getting economically stronger. Excerpts:*

On Asia's Bright Prospects: Asian countries like India and China are emerging as economic powerhouses largely due to the burgeoning inter-regional trade. For instance, trade between India and China has grown substantially over the last few years. Normally, during a financial crisis, commodity prices tend to go down. But, because of unabated buying of commodities by China and India to keep their growth engines whirring, the prices remained stable. As a result, commodities-dependent economies like Malaysia, Indonesia and Australia have gone through the financial crisis as if nothing has happened. This has raised the growth platform for Asia: With more trade, people will get more wealth which in turn will promote domestic consumption.

On Europe vs US: Europe has learnt quite a bit from the US experience. You can see that the rescue package has come together very quickly. Growth in Europe will level-off a bit because of the current situation. But I do not believe that there will be a big dip. If the rescue package had been delayed any further, then the economic downturn would have been prolonged. And it would have affected Asia much more. But now the relative damage would be much less. In fact, for Asia's sustained recovery it is important that the US recovers faster. Exports to the US have been rising, and whatever trade has come down in Europe will get diverted to the US.

On India Plans: We are placing a lot of importance on India and it is one of the engines which will drive our growth in Asia-Pacific. We have set some long-term goals in India in terms of our size and market share. Our immediate target is to take earnings to a billion dollars from $374 million in 2009. We aim to achieve this in the next four years. As far as listing on the Indian stock exchanges goes, we will consider all options. We are watching (the IDR of) Standard Chartered with a lot of interest. India is important for us, and if regulations are relaxed, we would consider all options of growth, including inorganic.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Capital/apollo/048

How Things Work

Hybrid Electric Vehicles

Hybrid vehicles–automobiles that use multiple power sources–are all around us. Mopeds–use a gasoline engine and the muscular strength of the rider–were perhaps the simplest hybrid in India for long years. However, there's a lot of interest around hybrid cars. In India, Toyota has launched its hybrid Prius recently, and GM plans to get the Volt by the year-end.

These are cars that use a mix of energy sources, typically electric motors with traditional gasoline engines. They are preferred more than electric cars, as the latter have speed limitations and need to be recharged often.

Hybrid electrical vehicles can be broadly classified into three types–parallel hybrids, series hybrids and parallel-series hybrids.

In parallel hybrids like Honda's Civic, the gasoline engine and the electric engine both can simultaneously transmit power to drive the wheels. In the series hybrids, only the electrical engine powers the wheels. The gasoline engine in turn powers the electrical motor and recharges batteries. Parallel-series hybrids can operate either in series or parallel modes.

Some hybrids are also "smart" cars–when the car brakes, the kinetic energy produced is captured and used to charge the battery systems.

ILLUSTRATIONS BY ALANKAR

Quirky

Some Champagne, Mr Bin Laden?

Osama Bin Laden is giving 007 a run for his money, at least on the style front. The baddest man on the planet plans to fly first class by British Airways (BA) to Washington on October 26, 2010. And the good old BA is his airline of choice, as he is a frequent flyer. And that's straight from the horse's mouth–not Osama, but BA. A cover story in *LHR News*–a BA staff magazine–about a new feature that allows passengers to download tickets to their iPhones has a mock boarding pass for "Bin Laden/Osama", complete with a date of journey, gate for boarding and a seat number (7c).

The goof-up has left the airline red-faced and desperately searching for explanations. After all, Bin Laden is scheduled to fly to Washington, not far from the Pentagon which was pummelled by a plane hijacked by the man's acolytes.

COMPILED BY T.V. MAHALINGAM & KUSHAN MITRA

Just Wondering!

The Bridge to Nowhere

Rome was not built in a day. Nobody has such expectations about the construction of the Mumbai Trans Harbour Sea Link–a 22-km bridge that proposes to connect Navi Mumbai to Central Mumbai, thereby reducing commute time to just 30 minutes from over two hours now. Having said that, 40 years is enough time to build a bridge.

Mumbaikars would disagree. After all, not even a single pillar of the Rs 6,000-crore sea link, which was originally proposed in the early '70s, has been erected. In fact, in 1981, J.R.D. Tata chaired a committee which pushed for the commissioning of the project. Later in 2005, then Finance Minister P. Chidambaram in his Budget speech made a mention about the project.

A few months later, request for quotations went out and the Ambanis and half a dozen consortia evinced interest. Anil Ambani's bid was disqualified and he went to court. Matters dragged on till 2008, when both the Ambani brothers' bids were scrapped. Then the recession hit, and all bidders backed off. Last heard, the Mumbai Metropolitan Region Development Authority plans to take over the project.

Snoot Corner

Blue Cheese

You must have seen the occasional slice of cheese on a platter that looks as if it has mold growing inside it. Well, there is a good chance that the makers actually intended for that to be the case, because "Blue Cheese" as such cheese is known, is among the most expensive cheese in the world. There is not one type of blue cheese; several countries have their own varieties made with different types of milk (buffalo, cow, goat and even sheep) and add the *penicillium* mold (the same fungus that gives us penicillin) at different stages of the process.

Gourmands consider blue cheese to be an acquired taste. Types of blue cheese include the French **Roquefort**, Italian **Gorgonzola**, English **Stilton** and Danish **Blue Cheese**. Blue cheese is best had crumbled over crackers or melted into sauces. In fact, a blue cheese-based sauce goes very well with bakes and pasta. There is also a way of cutting blue cheese, always cutting it along the vein of the mold. If the processed cheese tin you bought from the supermarket has mold in it, it isn't blue cheese and you should throw it away. But, you should find blue cheese in most high-end supermarkets in Indian metros.

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STARTING UP IN A DOWNTURN

Indian entrepreneurs have evolved over the past decade, and the recent economic slowdown has only made them nimbler, braver, more open-minded, more diverse–and more successful. SHAMNI PANDE

THE (EARLY) STAGE IS SET

Close to $1.4 billion has poured in from early stage investors since 2006...

YEAR	AMOUNT ($ MILLION)/ NO. OF DEALS
2006	238/67
2007	340/89
2008	506/111
2009	246/75
2010 (till March)	35/9

Source: Venture Intelligence

SHEKHAR GHOSH/www.indiatodayimages.com

October 2008: Barely a month after the US investment bank Lehman Brothers filed for bankruptcy protection, Hitendra Chaturvedi, 40, managed to secure his first seed fund—a sum of Rs 10 lakh—on a flight to Bangalore from Delhi. Over the next few days, even as the global financial crisis brought down more hallowed names in the West and as liquidity dried up, Chaturvedi succeeded in pulling in another Rs 75-odd-lakh from 13 angel investors for his two-month-old start-up, Reverse Logistics, a company that allows for quick and efficient return of merchandise from customers to distributors or manufacturers (hence the name reverse logistics). "This year, I secured funding from Reliance Venture, Sherpalo and Kleiner Perkins Caufield & Byers," grins Chaturvedi, the Founder and CEO of Reverse Logistics, who had just quit as head of a $400-million unit of Microsoft India.

Around the same time, a 30-year-old Kranthi Vistakula was looking to make good on his brainwave of making "functional apparel" at the National Institute of Design, Ahmedabad. Vistakula's obsession with clothes designed to protect the wearer from inclement weather led to the birth of an idea, a business plan and, eventually, the starting up of Dhama Innovations in Hyderabad, in January 2008. The unsparing business climate of the global recession didn't prove a wet blanket for Vistakula. "The slowdown was the biggest blessing in disguise. I ended up finding good people looking for jobs—something which has gotten tougher now," points out the Founder and CEO of Dhama Innovations.

Chaturvedi and Vistakula are just two entrepreneurs who shrugged off the economic slowdown to flag off businesses—not just any common-or-garden business, but well-differentiated models that are an investor's delight. The two represent a growing breed of start-up artists who are eschewing me-too ideas to create a prized platform of intellectual property (IP) on which resides their business objectives.

Vistakula hatched his plan while studying at the Massachussetts Institute of Technology, quite by happenstance. Finding Boston's biting cold winters an ordeal, he desperately longed for clothing that could keep him warm. Soon, he found himself working on a prototype jacket fitted with a control panel equipped to take the temperature from 18-degree cool to 40-degree hot (depending on what the user wants), which managed to win him the MIT Entrepreneurship competition in 2006. With his confidence boosted and the prize money in place, he moved back to India and incubated his venture with some grant aid; by end-2008 he had funding from Reliance Venture and was on his way to making climate-control apparel. The Indian Army is one obvious big client that Vistakula would like to have—but typically, government contracts take time. Before that, he is test marketing two of his products—ClimaWare Scarf and ClimaWare Wrap—aimed at the golf market. The products promise to keep players cool even when it is a sizzling 45 degree Celsius on the greens. Vistakula, who has patented technology for his clothing range, says he is "not averse to tying up with sports apparel multinationals".

Like Vistakula, Chaturvedi, too, is putting in place a cracking proprietary information system as well as a complex logistics process that is the backbone of his business. Reverse

INSIDE

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NEW TRENDS IN ENTREPRENEURSHIP

- Technology still rules, but start-ups today are more diverse; and there are more women entrepreneurs.
- Opportunities that are unique to India are being tapped. Examples: Education, microfinance and alternative energy.
- Cutting-edge technology doesn't guarantee success. Project execution by seasoned teams of professionals does.
- Investors are getting more involved in execution and want to see results–faster.

RACHIT GOSWAMI/www.indiatodayimages.com

HARSHAL SHAH/ CEO/ RELIANCE VENTURE ASSET MANAGEMENT

"Serial entrepreneurs, former executives and those who have a start-up track record are coming up on a consistent basis"

Logistics comes into play when a product has to move back from the consumer to the manufacturer for re-use or disposal. This is a complicated process, as it includes co-ordination, repairing the faulty product and then selling it again. "Most companies in India have little clue about the percentage of product returns they face from customers, what this entire process costs them and what is the recovery rate from a returned product," says Chaturvedi, who has also launched a website (www.greendust.com) that sells certified pre-owned products at a discount—which comes with the added assurance of after-sales-service and warranty to boot.

Entrepreneurship is alive and kicking, downturns and liquidity crunches notwithstanding. To be sure, entrepreneurship is as old as the hills in India, with millions of self-employed individuals and families running self-sustaining businesses that cater to neighbourhood needs. Yet, the entrepreneur as an innovator, as one who launches a revolutionary product or service, or who opens up a new market or identifies a new opportunity is a relatively new phenomenon—a post-liberalisation phenomenon. Suddenly, as new opportunities opened up—and even today keep opening up—ideas emerged in plenty. What was needed was the funds to bankroll these ideas.

Enter the angel investor and the venture capitalists (VCs). By the turn of the century both local and global VCs—like Actis (earlier the Commonwealth Development Corporation), ICICI Venture and Warburg Pincus—were ready to fund entrepreneurs in their growth phase. Some famous examples: Warburg Pincus invested close to $300 million in Bharti Airtel between 1999 and 2001; Actis, which held Glenmark Pharmaceuticals' hand through its growth phase, and ICICI Venture, which did the same with Pantaloon Retail. Doubtless, though, most of the initial funding went to tech start-ups and dotcoms, until the tech-wreck of 2000-01 took many of the VCs and most of the dotcoms down.

The funding and start-up scenario today is more evolved and saner. Sketchy and me-too business plans fly out of VC windows, and business models are more mature and well-differentiated. Innovation is less of a mere buzzword and more visible in the market, visions of entrepreneurs are more concrete and enduring, and slowly but surely the true essence of entrepreneurship is coming to the fore. And, yes, execution today matters more than an impressive but largely academic business plan.

"There are fewer people today with romantic notions of entrepreneurship. Most know that it is tough and that they need to execute quickly to get customers on board," says Aditya Mishra of Headstart, a volunteer-run, not-for-profit network that hosts meets and events to promote an innovation ecosystem. The network includes entrepreneurs, start-ups, researchers in academia and industry, adopters of new technologies/products and investors, who hold Startup Saturday meets every month.

Such initiatives help. VCs aver that they're inundated with at least 1,000

MOST ACTIVE EARLY-STAGE INVESTORS SINCE 2006

Source: Venture Intelligence

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ALOK MITTAL/ MD/ CANAAN PARTNERS

"There are still many entrepreneurs whose plans lack refinement in terms of a go-to-market strategy and use of funds"

new business plans a year—compared to less than 500 five years ago. Sensing the change, VCs are repositioning themselves as well: "Earlier we tended to invest exclusively in tech and power ventures. We have now added consumer services as a lot of India is underpenetrated. There are many opportunities in specialty retail, financial services and education," says Sanjeev Aggarwal, MD, Helion Advisors. Aggarwal recently invested in a venture called YLG, or, You Look Good, a chain of beauty saloons.

And yes, there is money—lots of it—to be had for the deserving few. "There is plenty of capital available for deployment in India in pure venture capital as well as later-stage private equity. There is no dearth of capital," says Mohanjit Jolly, Executive Director, Draper Fisher Jurvetson (DFJ) India. To be sure, in the January-March quarter, VC investments (including growth) swelled up to $128 million, up from $73 million in the first quarter of 2009. Like Helion, DFJ too is shifting its focus away from technology. With good reason. "We realised that at this stage of India's own venture and entrepreneurial lifecycle, it's more about execution with top-notch teams than about earth-shattering technology," says Jolly. He feels there's great potential in areas such as education, health care, logistics and rural enterprises, among others.

That more investors are entering is even more encouraging. As recently as 2008, The Morpheus, for instance, co-founded by Sameer Guglani (who sold off his Madhouse Media to Seventymm) took seed funding to start a venture to fund and mentor start-ups in India. There are others: "When we forayed into early-stage venture capital in late 2008, the future seemed uncertain then, but the last few months have witnessed a rebound in economic indicators. There is more visibility into the future potential of early-stage companies," says Gaurav Saraf, Director, Epiphany Ventures.

Business Today's package on 16 GenNext start-ups—which begins

IT/ITES SECTOR STILL HOGS MOST OF THE ACTION

SECTORS	2006		2007		2008		2009		2010 YTD	
	DEALS	AMOUNT	DEALS	AMOUNT	DEALS	AMOUNT	DEALS	AMOUNT	DEALS	AMOUNT
IT & ITES	68	380	84	470	81	475	45	243	13	86
BFSI	6	13	15	96	14	57	20	73	4	20
Health care & Life Sciences	13	31	14	63	12	54	11	43	4	9
Energy	2	13	2	11	11	90	6	51	4	17
Manufacturing	2	25	4	27	2	17	4	4	0	0
Media & Entertainment	5	42	6	29	11	46	4	26	0	0
Telecom	2	6	2	17	3	7	2	11	1	5
Agri-business	0	0	3	23	1	5	3	10	0	0
Education	0	0	5	35	7	36	4	8	3	26
Engg. & Construction	1	3	0	0	3	21	2	10	0	0
Food & Beverages	4	17	6	44	2	3	1	3	0	0
Retail	6	17	6	22	2	14	1	1	1	10
Other Services	7	24	3	17	7	25	6	34	2	13

Note: The list of sectors includes only the most active ones Amount in $ millions Source: Venture Intelligence

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MOHANJIT JOLLY (L)/ EXECUTIVE DIRECTOR/ DRAPER FISHER JURVETSON INDIA

"There is plenty of capital available for deployment in India in pure venture capital as well as later-stage private equity"

when this feature ends—brings out the evolution in entrepreneurship through the nature of the ideas of the start-ups, the sharper focus on execution, the increased involvement of the investor community, and the increased relevance of these ideas in the marketplace. (All but two are less than three years old.) "What has changed is that people are taking more pains to align their ideas with a real need rather than being carried away by a buzzword," says Mishra. "Earlier start-ups were (and perhaps still are) concentrated in the technology space; now they're spreading into areas that touch the lives of consumers. We see a lot of business plans from tier-II cities; the earlier phase saw very metro-centric players," adds Helion's Aggarwal. One example: Husk Power Systems seeks to generate electricity from alternative sources such as rice husk in villages in Bihar. It has been funded by the Switzerland-based Oasis Fund and the Hyderabad-based Acumen Fund. Investors specialising in such social ventures, like Aavishkaar Fund and VenturEast, to name just two, are also rapidly mushrooming.

So, who are these extraordinary gentlemen with a nose for the novel and an eye for detail—at least true for most—and where do they come from? "We notice three kinds of entrepreneurs are coming up on a consistent basis: The serial entrepreneurs, the former senior executives who leave their cushy jobs and, finally, those who have lived abroad and have a great track record of starting ventures," says Harshal Shah, CEO, Reliance Venture Asset Management.

Consider, for instance, Rajnish Dhall, who has co-founded Micro Housing Finance Corporation, a housing finance firm for low-income households. Dhall quit American Express to work for an NGO before setting up the housing finance venture. Interestingly, there are also a select few who prefer to start up without doing long years of the corporate grind: Adhil Shetty has founded Bankbazaar, an online loan marketplace, because he's convinced that the market is crying for a service like his.

A remarkable shift is that many of the start-up artists are not just catching on to what's popular globally (yawn, social networking, anybody?) but are also seeing opportunity at their doorstep. "There many ventures that seek to tap into opportunities that are unique to India, education and microfinance being just two of them," says Mohit Bhatnagar, Managing Director, Sequoia. The VC firm, which spans a spectrum of funding from early to late-stage, has been in the Indian market for over a decade now; recently, Sequoia exited from Manappuram Finance, which, among other things, seeks to offer consumers loans against gold.

The equation appears promising: More investors plus more start-ups should equal more contribution to the Indian economy from entrepreneurs. But, then, entrepreneurship by nature is about risk, and there will be flameouts. "There are many entrepreneurs whose plans lack refinement and thoroughness in terms of a go-to-market strategy and use of funds," says Alok Mittal, MD, Canaan Partners. DFJ's Jolly admits that there has been a trend of early-stage VC firms either bleeding in later-stage investments or just totally moving out of the growth stage. But as long as more opportunities emerge, and more money chases these budding ideas, the chances of today's fledglings emerging as tomorrow's Infosys or Bharti Airtel or Biocon can only get brighter. ⊙

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AD MAGNET

Grabbing Eyeballs

It was April 2008, the economic boom had not dropped off the world map, and the two veterans of digital advertising decided to launch the next big thing: a full-service advertising network that takes brands to every online audience they want. The result: Ad Magnet.

Ratish Nair and Sunil Miranda were two of the team that had set up Interactive Avenues, a digital agency, in 2006. Digital agencies merely aggregate or buy inventories across publishers, and repackage and resell them. But Ad Magnet does not own inventory: it helps clients publish their ads across the world's top websites.

FOCUS: **Digital media and advertising**

FUNDING: **Sequoia Capital**

ADDRESSABLE MARKET SIZE: **Rs 1,000 crore**

COMPETITION: **Komli, Tyro**

BUSINESS: **Over 400 customers**

BREAK EVEN BY: **2010-11**

THE BEST ADVICE I GOT: **Never pick up more money than you require**

BIGGEST MISTAKE: **We outsourced the product development job to a reputed software firm, which messed it up. I realised then that one should never outsource the core when you are trying to create a product**

His lucky charm: Ad Magnet's Nair

RACHIT GOSWAMI/www.indiatodayimages.com

"I guess the timing couldn't have been worse, since the global recession hit us within months," smiles Nair, a mechanical engineer who is also an alumnus of the Indian Institute of Management, Calcutta. Their only comfort: Sequoia Capital had backed them. (Nair would not give the figure, but it is believed to be $2 million).

The first eight months was torture: the unexpected slowdown combined with a botch-up by the software firm to which they had outsourced their core product. "In the first year, we had fewer than 50 clients and just 4.5 million unique users," recalls Nair.

By April 2010, it was a different

story: 18.5 million unique users, over 350 publishers and five times the advertisers. Today, Ad Magnet is the #1 Indian Internet property and the fourth-largest doing business in India, after Google, Yahoo and Tribal Fusion, according to Internet traffic tracker comScore.

"Companies have realised the immense reach of the Internet. So we do get new clients all the time who want to reach out to either a mass audience or a select audience," he explains. Ad Magnet then creates a package, with its fees depending on what the client wants, since the rates are higher per unit. "They are lower per unit if a client goes for a mass market presence," explains Nair. Ad Magnet pays the publisher.

Nair claims Ad Magnet is perhaps the only Indian ad network to have its own technology. "The Internet audience is highly fragmented compared to the print or television audience, so having our own tech is a big plus. We spent a year building our own tech. It's something most other Indian ad networks do not have," he says.

So clients who want some tweaking do not have to depend on the technology of the site on which they want to advertise.

Some of Ad Magnet's big publisher clients are Shaadi.com, Cleartrip.com, Indian Railways and the India Today Group (which also publishes *Business Today*).

The best part about an online business is that it can scale up without increasing manpower or overheads too much. For instance, since 2008 April to date, Ad Magnet's manpower has gone up from 24 to 30, while revenues have increased by a staggering 400 per cent over the figures for 2008-09, and Nair is confident of breaking even and even showing a tidy little profit by end 2010-11.

Ad Magnet's logo is a cute horseshoe magnet. And it seems to be doing a good job attracting clients.

DHIMAN CHATTOPADHYAY

DEEPAK G. PAWAR/WWW.INDIATODAYIMAGES.COM

Making room for local ads: K.A. Srinivasan, Baskar S. and Srividhya S.

AMAGI

Disruptive Influence

Slots on national television for local advertisements, via cable TV operators. In short, narrow-band TV. That's the niche in which K.A. Srinivasan, Baskar S. and Srividhya S. are focussing, five years after selling their first start-up, Impulsesoft. The three buddies from college say Impulsesoft was focussed on overseas markets and had limited scalability. On their latest venture, Amagi Media Labs, Srinivasan says: "This time, we focussed on three things: a disrupting, scalable and India-focussed business."

Unlike TV, newspapers and radio stations can carry advertising specific to a region or even part of a city, which is a boon for those who don't want or can't afford national coverage. Amagi's co-founder Baskar says: "Just like ads in city-specific newspaper editions, there is an untapped opportunity in narrow band TV."

FOCUS: **Narrowcast TV ads**

FUNDING: **Nadathur Investments**

COMPETITION: **Local TV channels**

ADDRESSABLE MARKET SIZE: **Rs 9,400 crore**

BIGGEST RISK: **Global competitors entering India and unorganised players scaling up**

THE BEST ADVICE WE GOT: **To focus on the larger market of cable MSOs**

Amagi buys ad spots from TV stations and splits them up among advertisers. "The total of these ad rates from a handful of advertisers will be higher than selling to a single company," claims Srinivasan.

Says designer Lokesh Pandya of Tamanna, a fashion boutique in Bangalore and a customer of

Amagi. "Print and online had limited visibility for me, whereas TV was the ideal medium," he says. Pandya got the footfalls he wanted for a fraction of the cost of a national slot.

Amagi's founders, all computer science engineers who had worked at Texas Instruments, Bangalore, build embedded system boxes that inject a local advertisement into the slot specified by the advertiser.

Amagi is now present in four cities, where it has tied up with eight MSOs or multi-system operators, as cable TV players are also called.

"We not only want to make advertising more targeted, but also to bring new advertisers to TV," says Srinivasan. "A third of our advertisers are first-timers on TV."

By the end of the financial year Amagi—which is backed by a $3-million funding from N.S. Raghavan's Nadathur Holdings and is advised by media industry veteran Pradeep Guha—hopes to cover 15 cities and double its MSO coverage.

Guha says most TV networks have a big advertising inventory lying unused or under-used (sold at a discount).

"What Amagi's business model offers is a path to narrow-casting, which is where the entire industry is headed," Guha says. "This is an experiment in splitting beams and seeking advertising opportunities in relevant markets."

The challenge is in the sheer scale: India has some 20,000 MSOs—some of them very small outfits—in a fragmented and highly competitive market. The company will also need to scale up its field sales force to reach them.

"It's going to take a while," admits Amagi's investor Raghavan. "However their model is disruptive and opens new advertising possibilities for dozens of companies."

Next partners: the DTH or direct-to-home broadcasters.

RAHUL SACHITANAND

APALYA TECHNOLOGIES

Video in Your Hand

FOCUS: **Mobile TV Solutions**

FUNDING: **Mumbai Angels, IDG Ventures India, Qualcomm**

ADDRESSABLE MARKET: **About 100 million phones, notebook computers in India**

CUSTOMERS: **13 mobile phone firms in India**

BREAK EVEN BY: **2011**

BIGGEST RISK: **A new technology or television broadcast system**

Some two million Indians watch live TV on their mobile phones or notebook computers (using wireless modems). Yes, two million a day, on the slow-as-a-snail phone networks. Powering that is Apalya Technologies of Hyderabad that is fast grabbing attention among start-up circles. (We thought it cool enough to include it in our 2010 listings even though it is older than three years.)

The story of the two engineers behind Apalya, Vamshi Reddy and Shive Bayyapunedi, with work experiences spread over Cisco, AT&T, Wipro and Nokia, is classic start-up lore. When the college classmates from Amravati got together in late 2005, they had a few years of experience, no connections to venture capitalists and knew no one in the telecom industry.

Apalya today has 13 mobile telephony firms as its clients, and 40 TV channels at the other end. It powers TV solutions of mobile broadband services such as Tata Photon, Reliance NetConnect and MTS. This, coupled with the recent Indian Premier League, where Apalya won the global rights to broadcast the cricket extravaganza on mobile devices, saw it double its active subscriber base in just three months.

Getting Apalya up and running took a while, though. India has one of the most heavily used airwaves in the world and rapidly declining call rates mean that people were crowding the spectrum. How could TV signals be sent through such congested airwaves? Apalya's solution: Improve the video compression, but slightly reduce the frame rate. This might make it slightly choppy but is good enough for most users and ideal for operators. Bangalore's July Systems has a solution that optimises viewing video clips but not live TV.

By mid-2007, Apalya had a working solution for TV clips that it tried out successfully with Idea Cellular in Maharashtra. For phone firms, TV is another way of increasing average monthly bills, by way of a subscription fee and higher data use. Apalya runs the risk of running into broadcast technologies such as MediaFLO and DVB-H that deliver video to mobile phones but Bayyapunedi is not worried. "Our solution is something operators can deploy quickly and inexpensively," he says. It also helps that Qualcomm, one of Apalya's main investors, owns the MediaFLO technology.

KUSHAN MITRA

A. PRABHAKAR RAO

Smaller screen, big opportunity: Apalya's Reddy

Loan rangers: BankBazaar's Arjun Shetty (second from L) and Co.

H.K. RAJASEKHAR/www.indiatodayimages.com

BANKBAZAAR.COM

Banking on Transparency

You need a Rs 40-lakh home loan. Which bank offers the best interest rates? How do you normalise them for floating vs. fixed rates, daily reducing balance or monthly reducing balance, and prepayment, service and other charges?

Every borrower has these questions, and it can take weeks to get the answers. In 2007, Arjun Shetty, who then handled online retailer Amazon.com's credit product programme in the US, had the same trouble getting the answers when he decided to invest in a house in India. "If, as a financial professional, I faced so many problems, what happens to a layman," he wondered.

So why not create a platform to provide unbiased, transparent loan information and facilitate loans? Back in the US, he discussed the idea with his wife Rati and brother Adhil Shetty. After due-diligence and two visits to India, they decided to start Bankbazaar.com. It "offers real time loan quotes by linking online to various banks and thus enables a loan seeker to know the lowest rate," says Adhil, who is the CEO. What sets aside BankBazaar from other financial services sites is its level of detail and the backend. "Existing websites... merely sold customer information to banks. We decided to offer comparative rates, information on fees, taxes, eligibility and documentation," adds Arjun, 29, the Chief Operating Officer.

Bankbazaar does not charge its customers anything but collects a fee from banks, for which getting customer via the portal is 70 per cent cheaper than the usual route.

But its early days coincided with the economic slowdown and tighter lending by banks. "Starting up at a tough time is good as you tend to be frugal in your business processes," says Rati Rajkumar, who handles product development.

Today, BankBazaar facilitates loan disbursement of Rs 100 crore a month with just 30 employees, most of them banking specialists who had worked at Amazon.com and Microsoft. It is expected to post revenue of Rs 6 crore in 2010-11 and has become operationally profitable since March 2010.

"We want to deepen our existing operations and also facilitate life insurance policies. That is one area, like loans, which needs some transparency," says Arjun.

N. MADHAVAN

FOCUS: Financial services

FUNDING: Seed capital by founders (Rs 50 lakh), First round funding: AVT Infotech (Rs 4 crore)

COMPETITION: Banks, other on-line sites such as www.apnaloan.com

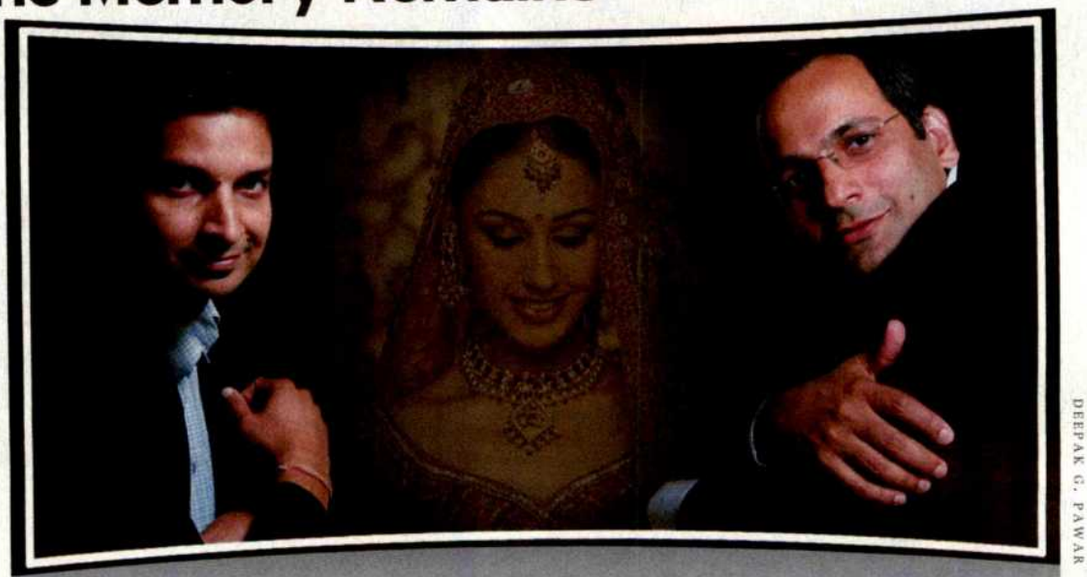
REVENUE: Rs 6-crore target for 2010-11

BREAK EVEN: Operational profits since March 2010

BEST ADVICE: A strong business case alone is not enough to succeed in India. You need a strong relationship

CANVERA DIGITAL TECHNOLOGIES

The Memory Remains



DEEPAK G. PAWAR

The wedding crashers: Canvera's Rai (L) and Kacker

Two decades after playing together on IIT-Bombay's cricket team, Dhiraj Kacker and Peeyush Rai came together in Bangalore in 2008 to open a new innings as technology entrepreneurs. While Kacker, 38, had specialised in digital imaging (his PhD was sponsored by Hewlett-Packard), 39-year-old Rai's forte is building scalable enterprise IT systems.

Thus was born Canvera Digital Technologies, which offers professional photographers high-end photobooks of their assignments in 48 hours. Canvera's photobook, with the photos bound like a regular book, and the flexibility of its processing system (clients can suggest colour correction during processing) set it apart from processing shops.

Kacker says some 60 per cent of Canvera's business comes from weddings and related ceremonies.

"The wedding photography market alone is a billion-dollar opportunity," says Mohanjit Jolly, Managing Director of DFJ India, which invested in Canvera along with Footprint Ventures.

Canvera's packages can start from as little as a few thousand rupees and go up to a few lakh, depending on the size of the book, paper used and number of copies ordered.

Much of the wedding market, Kacker claims, is concentrated in the hinterland and reaching these locations—often with limited or no Internet access—is Canvera's biggest challenge.

In Tier II towns, Canvera has opted for brick-and-mortar outlets manned by franchisees, who make money on adding a margin to the company's products and solutions. Technologically, too, it's a challenge, says Rai, the technology chief. "Around 80 per cent of our collections are in cash, so the challenge is to make sure these charges are reflected almost immediately," he says.

In 2009, when everyone was cutting headcount, Canvera added 200 people and plans to have some 350 employees soon. "We expect to break even in 18 months," Kacker says.

RAHUL SACHITANAND

FOCUS: Digital imaging products

FUNDING: DFJ, Footprint Ventures and Mumbai Angels

ADDRESSABLE MARKET: The 10 million-plus weddings said to be held in India every year. Sees 2 lakh professional photographers as customers

COMPETITION: Photo studio chains

BEST ADVICE WE GOT AND FROM WHOM:

You can do lots of things with money, but the one thing that money can't buy enough of—especially for a start-up—is time

—Andy Wood, ex-CEO of Shutterfly

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25 1984 - 2009 VIT Creating stars

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The super trainer: Elements' Saxena (second from L)

ELEMENTS AKADEMIA

Talent Factory

What do you do when you are a month-old start-up and a leading business process outsourcing or BPO firm wants a stake in you? Nishant Saxena, founder and CEO of start-up Elements Akademia, an employability training player, got ambitious.

Elements Akademia had a dream launch in October 2007 with its first centre in Lucknow. When the potential investor promised to take a 20 per cent stake for $1 million (Rs 4.7 crore), Saxena decided to roll out centres in Kanpur, Bhopal and Jaipur.

Then the investment failed to materialise and all cash dried up by mid-March 2008. "We did not even have the funds to pay salaries and were about to go under," says Saxena, 33, an IIM-Lucknow alumnus who has worked with Procter & Gamble across Asian locations, and been guest faculty at premier B-schools.

An angel investor, the late Rusi Brij, former CEO and Vice Chairman of Hexaware, came to his rescue.

The big lesson? It's important for a start-up to preserve cash, says a wiser Saxena. "My grounding was in a large company like P&G where, at our levels, availability of cash was never a problem," says Saxena.

His start-up has now been profitable for more than one year, and it ensures that it always has six months of working capital in the bank.

But the bailout did not end Elements' troubles as the economic slowdown of late 2008 engulfed its main consumers —companies looking for trained manpower. Elements Akademia was a business-to-consumer or B2C model with infrastructure in five cities and huge costs. Jobs disappeared and registrations in the vocational training industry shrank. The fixed costs did not.

Saxena decided to shut many of the offices and move to a less capital-intensive model: business-to-business or B2B. It now offers its services to colleges and the government. It ties up with Tier II/III professional colleges and embeds its training in their curriculum. Colleges pay for the training since it boosts their placements. Elements also works with governments for training students from poor families who have cleared Class X. The governments pay for the training as part of its welfare schemes.

What next? "We have already got queries from Nigeria and offers from companies to set up similar institutes in China. But we first want to maximise the potential here," he says.

SAUMYA BHATTACHARYA

FOCUS: Education in Tier II cities, particularly MBA and B. Tech Colleges

COMPETITION: Hero Mindmine, Aspire India, Global Talent Track

BUSINESS: Has 20-plus paying clients, and has expanded from five cities to 10

BIGGEST RISK: Service delivery, given rapid expansion

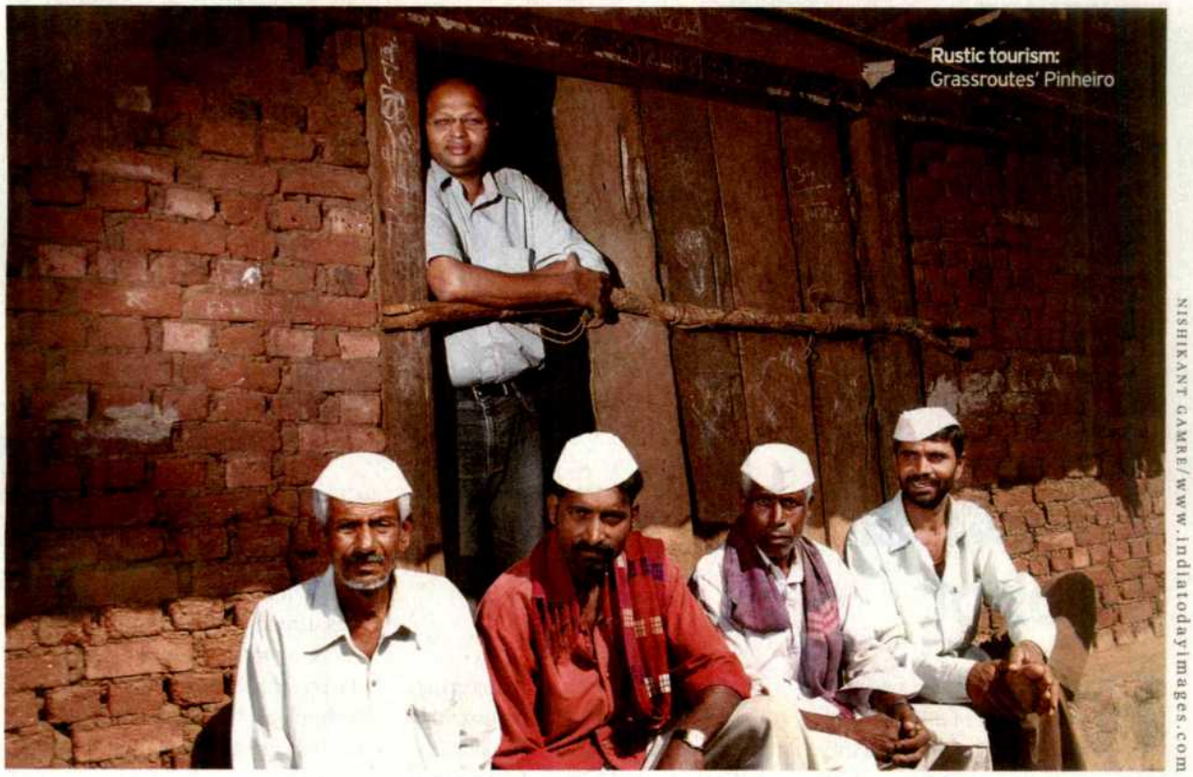
THE BEST ADVICE I GOT AND FROM WHOM:

Do it right instead of just fast

–Shantanu Bhagwat, Partner, Amadeus Capital and **Sudhanshu Sarronwala** Founder CEO of Soundbuzz

GRASSROUTES

Ride Into the Hinterland



Rustic tourism: Grassroutes' Pinheiro

NISHIKANT GAMRE/www.indiatodayimages.com

Fancy a weekend holiday in a village away from your city surroundings without having to rough it out or wear your heart on your sleeves? Call Grassroutes Journeys. The model, says co-founder Inir Pinheiro, "is unique because it enables tourists to experience authentic village lifestyles and provides the local communities incentives to conserve and promote their unique lifestyles, bio diversities, knowledge systems, traditions and economies."

Grassroutes runs like a tour operator—it insists bookings are made at least four days in advance—and earns its revenue by marketing tourism in the two villages it has "developed" and through consultancy projects. The facilities at each village are designed to accommodate around 1,500 tourists a year with per night stay priced at Rs 1,200 (it costs Rs 11.6 lakh and takes up to 18 months to make a village ready for city tourists). The income is shared between the village tourism committee, high net-worth investors providing soft loans, Grassroutes and those monitoring the project and its quality.

What's in it for the villagers? "Sustainable livelihood opportunities," says Pinheiro. "We conservatively estimate a direct average annual inflow of over Rs 5-6 lakh per village (after three years of operations)."

Take Zunkabai, resident of Purushwadi, a village 250 km away from Mumbai. In two days, she earns as much by cooking as she would have received if she had migrated for eight days to work elsewhere. Or, Gangaram, a Xth class graduate, who has a job as a guide, is studying further with ambitions of becoming a teacher.

E. KUMAR SHARMA

FOCUS: Rural tourism

FUNDING: Grants, social venture funds

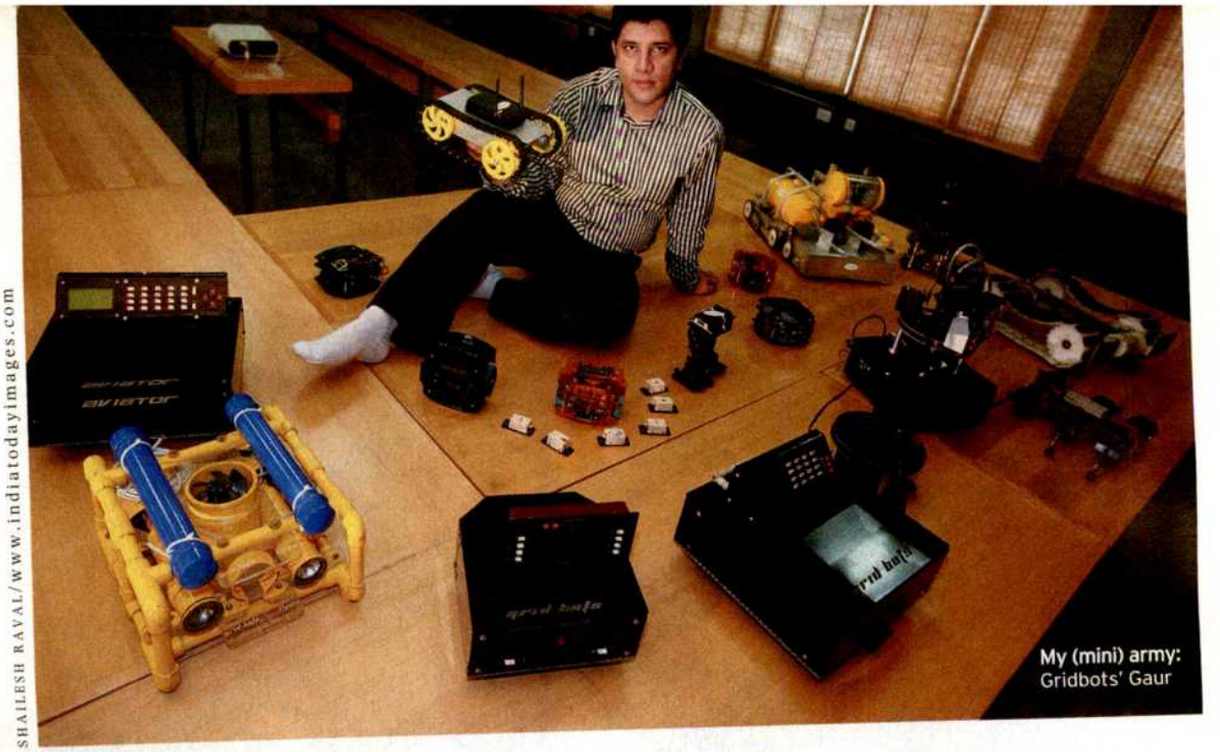
COMPETITION: Village Ways, Travel Another India, Government of India's rural tourism initiative

BUSINESS: Sold 800 bed-nights in two villages last fiscal year

BREAK EVEN IN: 2012

BIGGEST RISK: Market is niche

BIGGEST MISTAKE: Free advice, free volunteers are the most expensive and unreliable. I've learnt to pay for professional work and to expect competency



SHAILESH RAVAL/www.indiatodayimages.com

My (mini) army: Gridbots' Gaur

GRIDBOTS TECHNOLOGIES

I, Robot

His babies can clean sludge from the bottom of a water tank, help out at a pickle factory, keep your home clean, and, sshhh! some are keeping watch at top-secret facilities. They are actually industrial robots— designed for Indian conditions and selling at Indian prices— by Pulkit Gaur, an industrial engineer. "We are bringing technology of the future to the Indian market," says Gaur, who founded Gridbots Technologies in 2007, and is its Chief Technology Officer.

You can pick up Gaur's entry-level, educational robot, the Turtle for Rs 5,000—or the price of a mobile handset. When introduced in May last year, Gridbots sold 100 Turtles in just four days. Gridbots also offers Sleuthound, an automatic tracking camera for surveillance. These cameras are programmable, can store sequences apart from having a 30X zoom that capture every single detail. At Rs 25,000, the Sleuthound does the work of five traditional surveillance cameras. For manufacturing, Gridbots offers a robotic arm assembly with object manipulation capabilities. In Gujarat, a pickle manufacturer uses these arms, which cost Rs 3 lakh a piece or a fifth of what German and Japanese products cost.

Then there is SaUsR, useful for underwater inspections, operations and cleaning, up to a depth of 50 meters. In Gujarat, Gridbots is in talks with Vadodara Municipal Corporation to deploy the robots for cleaning water tanks not easily accessible. Gridbots has already opened six Robostores across major Indian cities. "This makes it easy for people to come, see and feel technology," he says. "It's rewarding to challenge the stereotype that technologies come to India five years late."

With Rs 10 lakh as initial capital, Gaur promoted Gridbots in August 2007 and broke even that December. So why has Gaur maintained distance from commercial investors? "Investors are good for any business to scale and to grow but we are not turning to investors now," says Gaur. With seed funding of Rs 25 lakh provided by Government of India's Department of Science & Technology, Gaur thinks he can manage for now on his own.

Gaur is confident of launching an intelligent robot for tasks like cleaning home and mopping the floor. "The prototype is ready for over a year," he says. "We are looking for funding for mass production." But he wants partners who share a common vision. "We are doing a fascinating job and not going by volumes and hyper growth ambitions," he says.

RAJIV BHUVA

FOCUS: **Industrial Robotics**

FUNDING: **Seed Funding from the Department of Science & Technology**

ADDRESSABLE MARKET: **Close to Rs 1,000 crore**

BREAK EVEN IN: **Dec. 2007**

REVENUE: **Around Rs 1.5 crore; 5,000-plus customers**

THE BEST ADVICE I GOT AND FROM WHOM: **Learn to say no!**
—IIM-A's Centre for Innovation, Incubation and Entrepreneurship

MONEY SHARMA

Classifieds for innovators: IdeaWicket's Aujla

FOCUS: **Online marketplace for tech, design solutions**

FUNDING: **Self-financed**

COMPETITION: **None in India; Innocentive, 9Sigma in US**

BUSINESS: **Five clients**

THE BEST ADVICE I GOT :

My learnings have been from the school of hard knocks; we take advice from the market

IDEAWICKET INNOVATIONS

Ideas on Tap

A sudden rise in mortality among small investment houses in New York preceding the sub-prime lending crisis in the US was a godsend for the lurking entrepreneur in Amar Aujla. When Worldco, a boutique investment bank little heard of outside New York, went belly up in 2007, the graduate of Thunderbird Business School, Arizona, was among some 1,000 people without jobs.

"I was always interested in science, how patents work, innovation... and it struck me: why don't I do something in this space," Aujla, now 35, remembers. That something today is IdeaWicket, an online "open innovation platform that puts together innovation seekers and innovators" set up in 2007.

The sweet spot that Aujla, who holds her first two degrees from New Delhi's Shri Ram College of Commerce and Faculty of Management Studies, is aiming at is unlocking ideas and technologies hidden deep in India's immense scientific and tech talent pool (the country has about 150,000 scientists and researchers) and exposing them to the international business community.

IdeaWicket counts some 250,000 solution providers and academics with reach to a much wider audience, says Aujla, and companies such as Procter & Gamble have signed up. The US consumer products leader has sought solutions ranging from dispensers for professional hairdressers that accurately release colour to tissue dispensers. An unnamed UK medications company wants an idea to make cough syrups stickier in the throat.

For now, IdeaWicket charges "a simple fee" from solution-seekers posting problems on its site. Aujla will not disclose the amount. Later, it may take a share in the spoils coming out of long-term engagements that companies have with solution providers.

How easy will it be for a nifty competitor to come and edge out IdeaWicket? For Aujla, the answer to that question is in back-to-basics of any business. "Client servicing and our wider network of talent pool and solutions is and will be the differentiator. We take great effort and attention to service clients," she says. Closing a deal with a company can take up to nine months, she adds.

In future, Aujla sees the big value from IdeaWicket when innovation-seekers such as NGOs ask thousands and thousands of problem-solvers for solutions to daily life problems. That would be a network effect of an entirely different kind.

JOSEY PULIYENTHURUTHEL

JADE MAGNET

Working the Crowd

Two classmates from management guru Bala Balachandran's Great Lakes Institute of Management, Chennai, believe they have a way for millions of small and medium businesses to make the best of their marketing spends. Instead of squeezing budgets, scouting for and dealing with advertising agencies, these businesses can register with Jade Magnet, a virtual market place designed by Sitashwa Srivastava, 29, and Manik Kinra, 27.

Jade Magnet actually started off as CreADivity, an MBA project that was part of a series of guest lectures. But after picking up their MBAS, Srivastava worked at Cognizant and Kinra at CSC for two years before they joined up again to become entrepreneurs.

After forming their company, the two entered it into the Entrepreneurship Acceleration Programme of The Indus Entrepreneurs, where they got a brand makeover—to Jade Magnet—and a lot of attention from advisors and (potential) investors.

"When I first met Sitash and Manik, I found that they were not only passionate but razor sharp focussed about crowd-sourcing," says Muki Reghunathan, industry veteran and angel investor in the company.

Srivastava says Jade Magnet has been able to sign on nearly 1,500 providers in a year, and these providers have delivered over 200 projects to 50 clients.

Kinra, explaining the hassles that small companies face, says, "Signage and out-of-home, for example, have different vendors who work on word-of-mouth for business. As a small business you may not have the resources to deal with all of them."

Jade Magnet claims to have got significant traction in India, and now plans to get an increasing share of its revenues from overseas. Like many of his online peers, it will have a click-and-brick model, with account managers expanding Jade Magnet's bouquet of services.

"We remove your headache of managing resources and help you service clients sitting anywhere in the world with no investment," says Reghunathan.

RAHUL SACHITANAND

FOCUS: **Digital media**

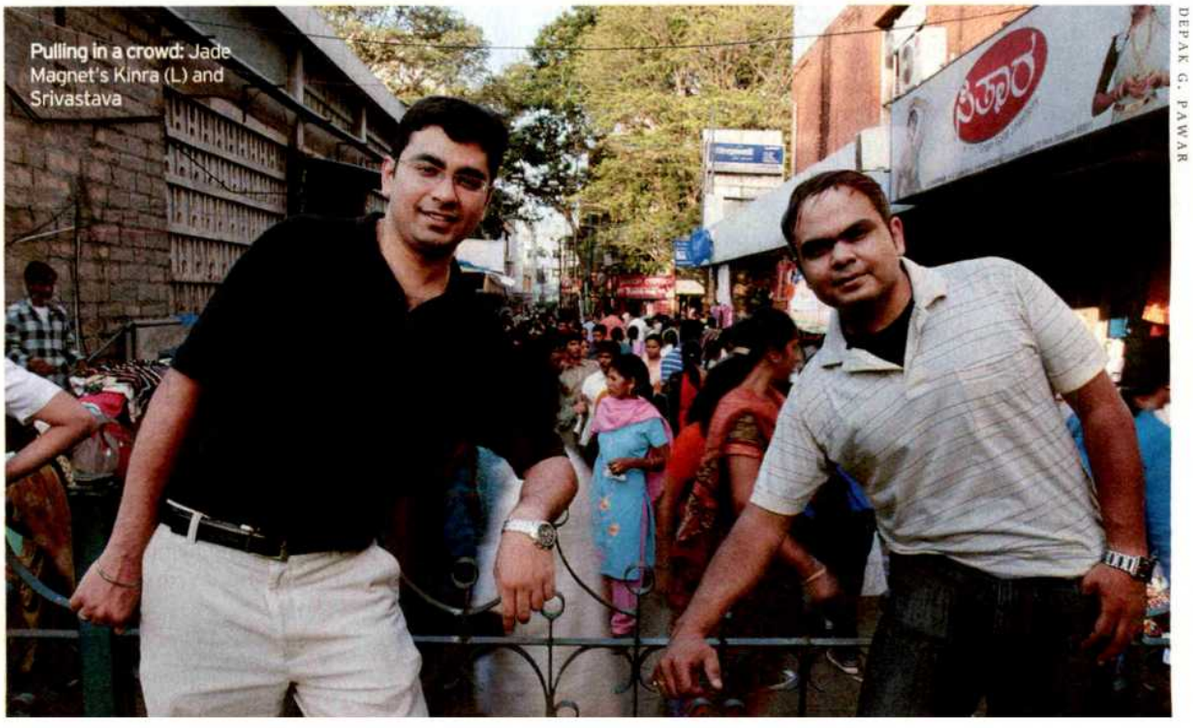
FUNDING: **From Muki Reghunathan, Founder and CEO of Pepper Square**

ADDRESSABLE MARKET: **Two million start-ups in India and 60,000-plus new businesses being established in the US**

COMPETITION: **Freelancers, small advertising agencies**

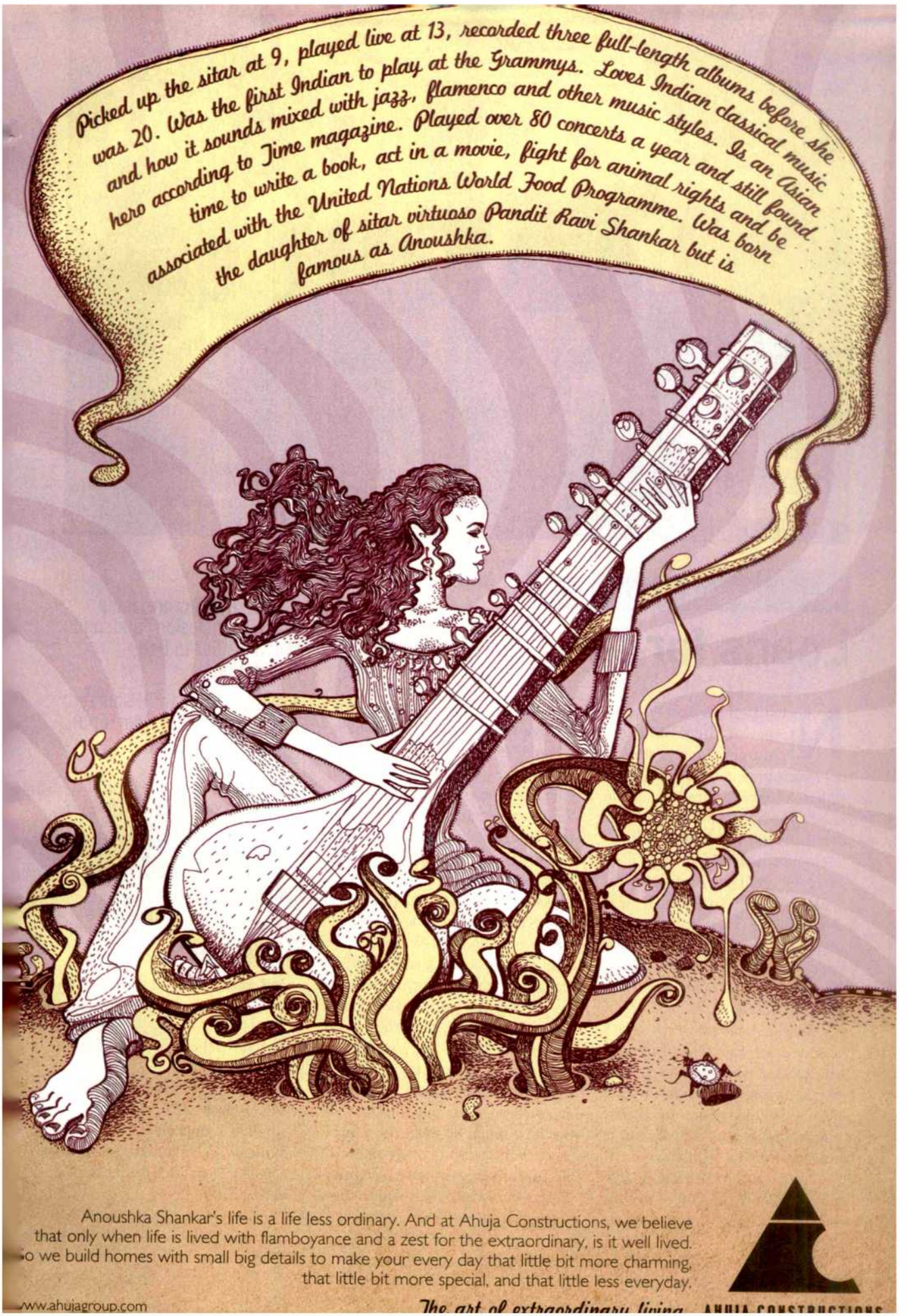
BUSINESS: **2,500 service providers on their platform**

OUR BIG MISTAKE AND WHAT WE LEARNT FROM IT: **Building a strong brand from the ground up. We started off as CreADivity but had to look for a better name since people couldn't pronounce or place us**



Pulling in a crowd: Jade Magnet's Kinra (L) and Srivastava

DEPAK G. PAWAR



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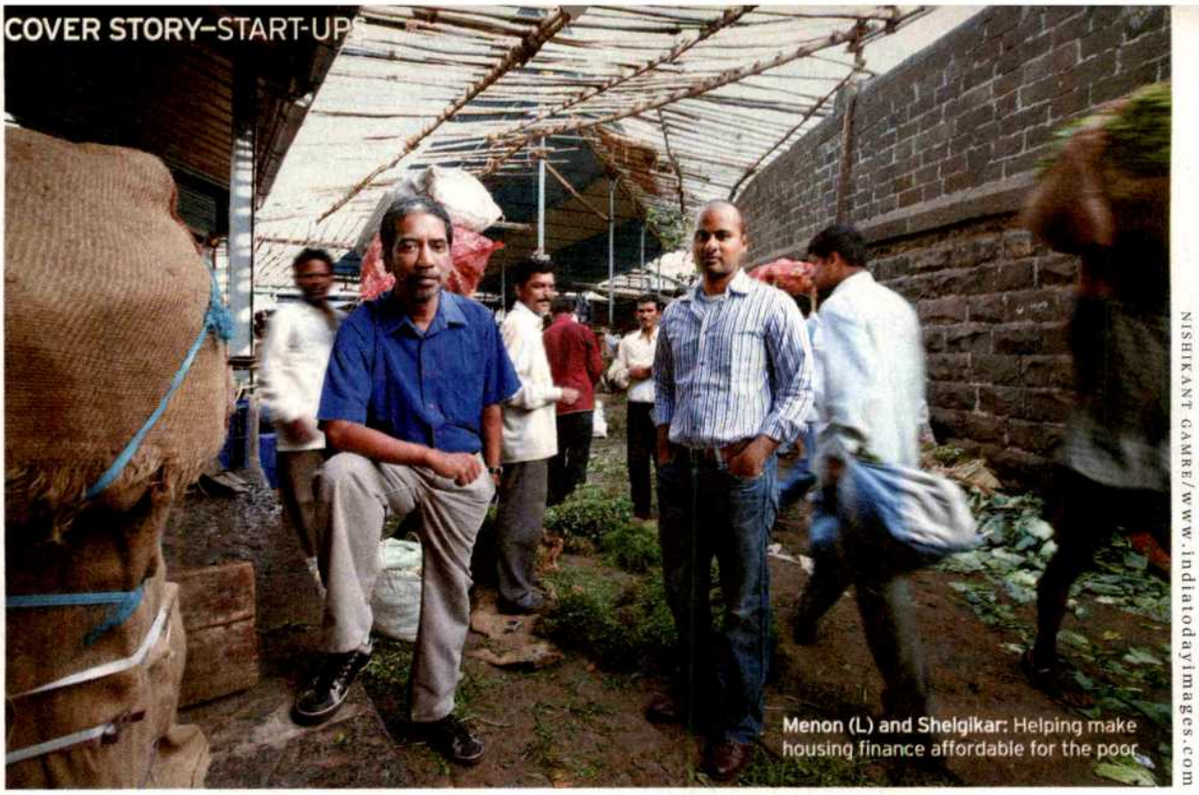


Menon (L) and Shelgikar: Helping make housing finance affordable for the poor

NISHIKANT GAMRE/www.indiatodayimages.com

MICRO HOUSING FINANCE CORPORATION

Loans for the Left Out

Nimay Deonath is the first customer of Micro Housing Finance Corp. (MHFC). Deonath runs a small Chinese food stall in Mumbai's Mira Bhayendar Road and makes about Rs 30,000 a month. In 2008, Deonath wanted to buy a new house for Rs 6 lakh, of which he could pay Rs 4 lakh. "No bank was willing to lend as he was classified as a hawker," recalls Rajnish Dhall, Director, MHFC, which formally approved the loan in May 2009. Deonath has so far paid all installments on the dot.

Mumbai-headquartered MHFC's borrowers are people who fall through the cracks of the financial system—vegetable vendors, home visiting beauticians, cab drivers and so on. The houses should have a final price of not more than Rs 5-6 lakh.

"You might be making Rs 50,000 a month but if you don't have the paperwork to prove it, you won't get a bank loan," says Madhusudhan Menon, Director, MHFC. Both Dhall, 41, and Menon, 56, had worked for American Express for over a decade when they came back to India looking for an opportunity to do something that was socially relevant. A meeting with consulting firm Monitor, which was working on a project to explore affordable housing, sparked the idea of their venture. The duo joined hands with Nachiket Shelgikar, 25, who was then working with Deutsche Bank, London, and MHFC was born.

So, how does MHFC go where banks fear to tread? One, since these borrowers don't have any paperwork, MHFC plots a "storyboard" for every applicant. If it is a vegetable vendor, a loan officer hangs out with him to see how much he makes in a day. MHFC then speaks to other vendors around to gauge their average earnings. Two, while banks require customers to come to them, MHFC takes its "branch" to the project site of properties up for sale.

MHFC has a capital base of Rs 33 crore, of which Rs 25 crore was raised in the first round funding, from India Financial Inclusion Fund and the Michael & Susan Dell Foundation in October 2009.

T.V. MAHALINGAM

FOCUS: Affordable housing

FUNDING: Rs 25 crore, India Financial Inclusion Fund, and Michael & Susan Dell Foundation

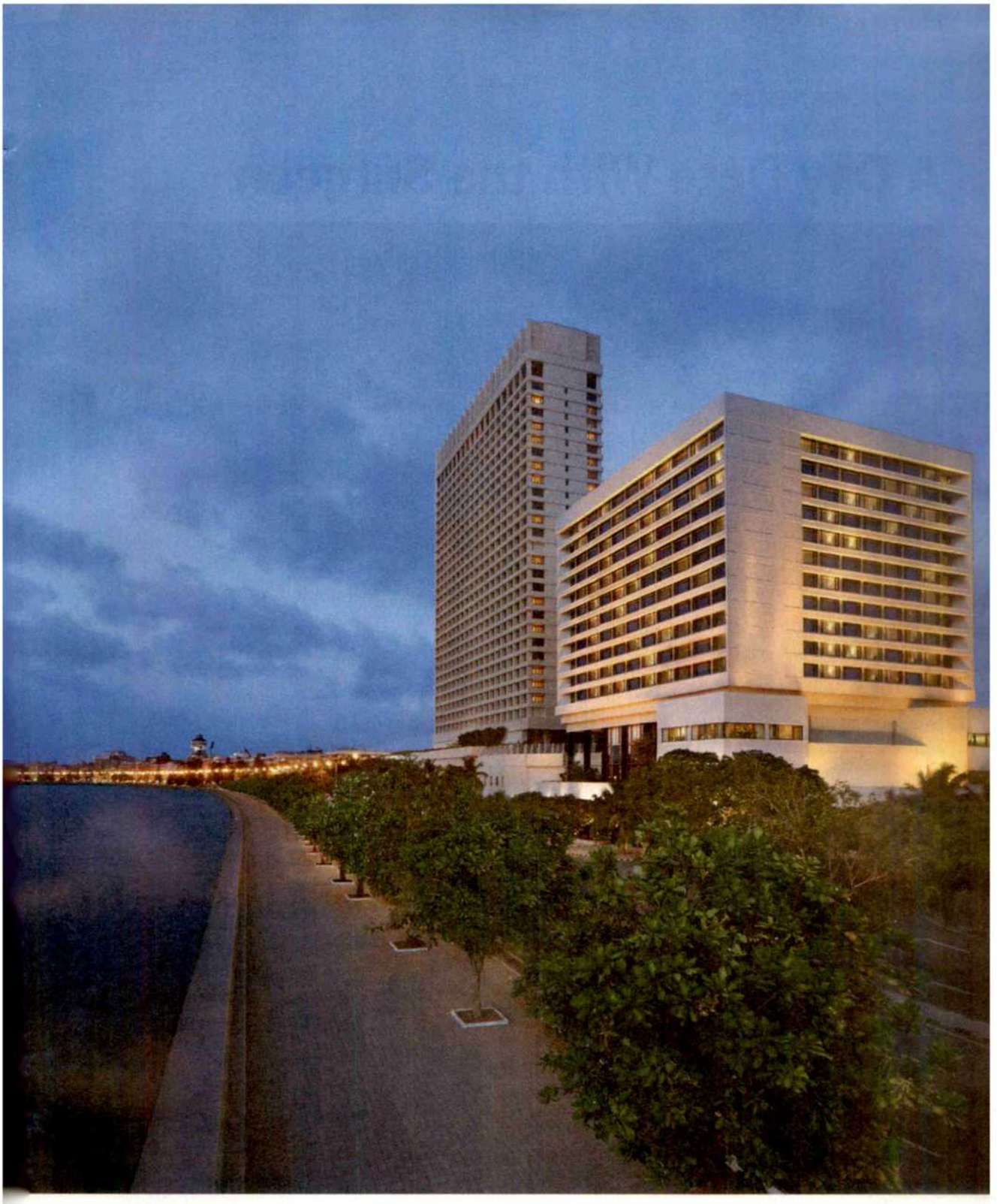
BUSINESS: 200 loans disbursed; 1,500 targeted by year-end

EMPLOYEES: 27

BIGGEST RISK: Promoters don't complete projects on time

THE BEST ADVICE WE GOT AND FROM WHOM: It's not people who aren't credit-worthy. It's banks that aren't people-worthy

–Prof. Muhammad Yunus, Nobel laureate



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NOVA MEDICAL CENTERS

A Day Date With the Surgeon

Rao (R): Reducing medical costs and hassles for patients

DEEPAK G. PAWAR/www.indiatodayimages.com

For most Indians, a surgery at a big hospital can be expensive as insurance covers only a small fraction of the population. For most such hospitals, it makes sense to prioritise patients requiring critical surgery over those needing minor operations. Together, these two factors keep a large number of patients waiting for treatment or having to stay in a hospital for minor procedures such as hernia or ligation.

Dr Mahesh Reddy, an orthopaedic surgeon, decided to service this segment with day-care centres or small surgeries where patients can get simple procedures done without having to stay overnight. Reddy's model for his chain of Nova Medical Centers, incubated by GTI Group, is based on similar models in the US and the UK, but has innovative modifications. Surgeries scheduled at day-care centres in the UK are done in hospitals, but Reddy's day-care centres have their own operating theatres. In the US, day-care centres do not have a pharmacy or pathology laboratory. Nova has.

FOCUS: **Day surgery centres**

FUNDING: **Incubated by GTI Group, a US-based venture capital and private equity firm**

BUSINESS: **100 surgeries a month**

BREAK-EVEN BY: **Close to it, now that insurers back it**

THE BEST ADVICE I GOT AND FROM WHOM:

Honesty of purpose is more important than honesty of process

–Girish Rao's father

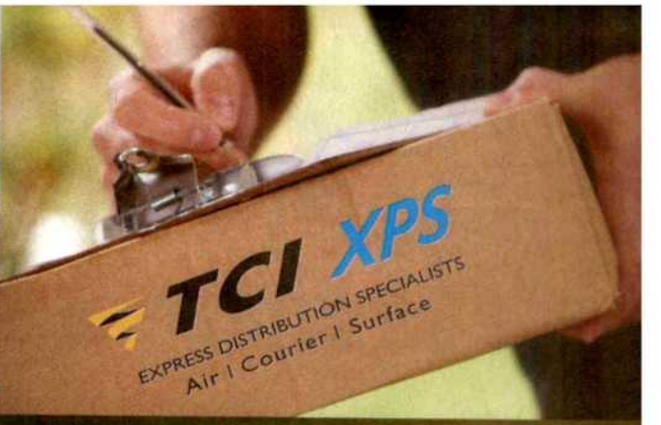
The first Nova facility has come up in Bangalore; which has as its partner 40 surgeons who have paid a token amount of money to become a shareholder, and also clinical and non-clinical support staff. Nova operates in a 70:30 partnership with the surgeons.

Nova works on referrals with their shareholding surgeons, who can refer patients to Nova, while those requiring post-operative care are referred to hospitals. Check in and discharge takes less than 15 minutes each.

Nova's biggest victory has been in convincing insurance companies to agree to a cashless payment system for those not requiring overnight stay or a stay of at least 24 hours. Girish Rao, CEO, Nova, managed to convince the insurers to allow a cashless payment system at Nova.

Another Nova center is coming up in Bangalore, and one in Mumbai and New Delhi each by year-end, and 25 will be on the ground by mid-2012. Backing this scale-up is a recent injection of Rs 250 crore from GTI Group, among others.

ANAMIKA BUTALIA



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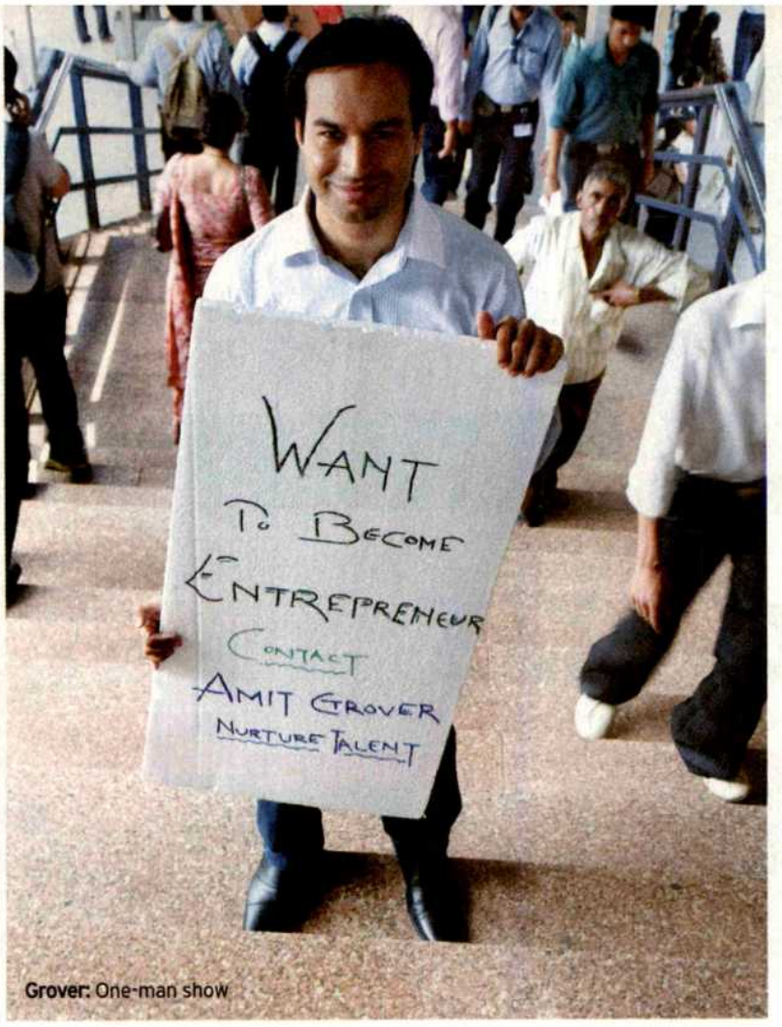


RACHIT GOSWAMI/www.indiatodayimages.com

Grover: One-man show

FOCUS: **Training entrepreneurs**

FUNDING: **Yet to get any**

BUSINESS: **180 people trained**

BIGGEST RISK: **Inability to attract attention to brand or offering**

THE BEST ADVICE I GOT: **Do quick experiments, if you fail, there's not much to lose**

NURTURE TALENT ACADEMY

Entrepreneurs' Helpline

Amit Grover's start-up, Nurture Talent Academy, is a bare-bones set-up. Grover is the lord, master and only employee of his company. He operates out of a friend's office in suburban Mumbai. And the academy itself is just five months old. Yet, the idea of an academy to train budding entrepreneurs in matters varying from how to raise funds to the nitty-gritty of setting up a company, seems to make a lot of sense, if not a compelling business proposition.

"I have noticed that people who come up with great entrepreneurial ideas often don't know how much funding they need, how to draft a business plan, or even whether to set up a company or a proprietorship," says Grover. (If you are in a hurry, opt for a proprietorship because setting up a company requires approvals and could take weeks. Grover's own academy is a proprietorship for now.)

Grover conducts day-long courses, priced at Rs 950, on topics like marketing for entrepreneurs, finance and valuations, etc. And, what are his unique qualifications for training entrepreneurs?

Grover, 31, has had plenty of net practice training entrepreneurs. An alumnus of the Indian Institute of Technology, Delhi, and Indian Institute of Management, Indore, Grover worked for Infosys and Asian Paints before joining Onida in 2006, where he reported to Chairman Gulu Mirchandani. In late 2006, Mirchandani's son Sasha was setting up Mumbai Angels, an angel investing and mentoring forum. Grover signed up as a volunteer.

"I had two jobs, back then," jokes Grover. "I had a 9-6 job at Onida and a 6-9 job at Mumbai Angels," he recalls. Every evening, Grover would meet an entrepreneur, chomp pizza and run over business plans, at a Dominos outlet near the Onida office. "In those three years, I met 500 entrepreneurs and vetted a thousand business plans," says Grover.

After three years of mentoring entrepreneurs as a volunteer, Grover decided to do the same in a more "organised manner". On the last day of 2009, Grover quit Onida and started the academy. "I dipped into my savings and have broken even," he says.

Grover, who has conducted 12 workshops and trained 180 people so far, usually gets a successful entrepreneur and a venture capitalist to sit in. Says a Mumbai-based VC: "It's an interesting idea. On an average, one in every 150 presentations I see is in actionable shape. A training academy like this should do some good even though it would have to target colleges and institutions to make serious money."

And, that's something Grover is already working on.

T.V. MAHALINGAM

Mehra: Ensuring quality laundry services for low-income families

DEEPAK G. PAWAR/www.indiatodayimages.com

VILLAGE LAUNDRY SERVICE

Washing Machine *Dhobi*

Incubation, CEO and start-up are terms you associate with novel business ideas—not with the neighbourhood *dhobi* or laundry service. But Akshay Mehra is proud to be the CEO of Village Laundry Service (VLS), an inexpensive laundry chain incubated by Innosight Ventures. VLS (the Village in the name comes from their services targeted at low-income groups), which aims to service the suburbs of metros, opened its first outlet in February 2009, in Bangalore. It was so popular that two more outlets opened by April.

"The business is focussed on providing quality services at convenient, easy-to-access locations. We present an excellent customer experience using premium detergent and high-efficiency, eco-friendly front-loading washing and drying machines," says Mehra, 35.

Chamak (as the service is branded) outlets wash, dry and iron your laundry in 24 hours, at a rate of Rs 50 a kg (roughly four shirts and three trousers). VLS' target clientele: Students, young adults and middle- and lower-income families.

FOCUS: **Laundry services**

FUNDING: **Innosight Ventures**

ADDRESSABLE MARKET: **Rs 3,000 crore**

BREAK-EVEN BY: **June 2010**

BIGGEST RISK: **Ensuring quality and customer satisfaction as it expands, and quality training for each employee**

THE BEST ADVICE I GOT AND FROM WHOM: **The key at a start-up is to quickly recognise the issue, learn from it, and have the ability to pivot the business model**

–Scott Anthony, MD, Innosight Ventures

Mehra, an IIM-Calcutta graduate, gained extensive experience in the laundry services segment during his days at Procter & Gamble as Brand Manager for Ariel and Tide detergents across India and ASEAN countries.

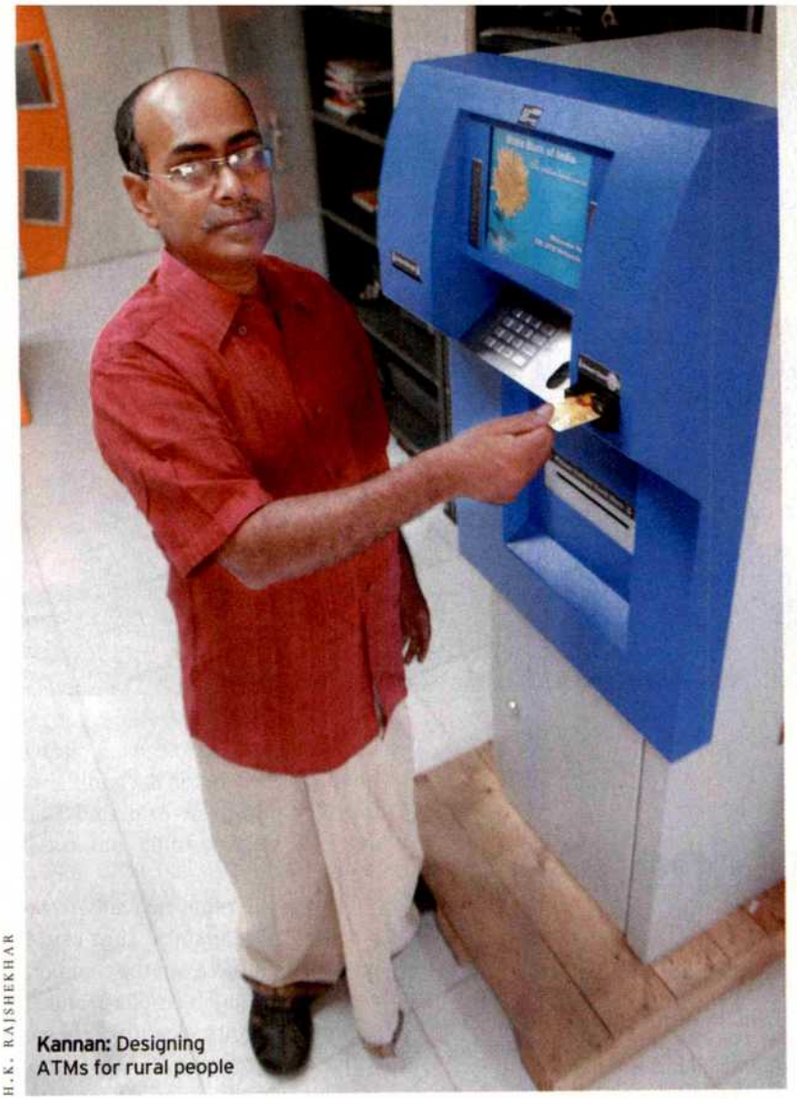
It was then that he realised the potential of a business that could bridge the gap between the common *dhobi* and the much-costlier branded laundry and 'dry cleaning' shops, with a quality service.

The overwhelming response to the first Chamak confirmed VLS' potential. By April 2010, it had 25 centres in place, across Mumbai, Mysore and Bangalore. The company's revenues grew 29 times from April 2009 to April 2010, and it expects to make an operational profit by June 2010.

The Chamaks keep in touch with their customer via SMS with mobile receipts on weight of the clothes and the billed amount. To ensure quality standards, VLS calls up its customers for feedback.

Scale? "The aim is to operate from 1,400 locations with Rs 60 crore in revenue," says Mehra. "We are also looking to go international to other emerging markets like Vietnam, Indonesia and Mexico to cater to similar need gaps in this growing industry."

ANAMIKA BUTALIA



H.K. RAJSHEKHAR

Kannan: Designing ATMs for rural people

FOCUS: **Tech solutions to help banks reach the unbanked**

FUNDING: **Venture funding (Ventureast, Aavishkaar, Bamboo Finance)**

ADDRESSABLE MARKET: **$40 million by 2012**

REVENUE: **Nearly $1 million**

EMPLOYEES: **80**

BIGGEST RISK: **Cash flow management**

THE BEST ADVICE I GOT AND FROM WHOM:

Profit is a matter of interpretation, reality lies in managing cash flows

—Ashok Jhunjhunwala, Founder of the TeNeT Group at IIT-Madras

VORTEX ENGINEERING

ATM, for Heat and Dust

In its first avatar, Vortex, founded by Lakshminarayanan Kannan, 42, was part of the TeNeT Group set up at the Indian Institute of Technology, Madras, with a focus on telecommunication and networking. Sometime in 2006, it decided to design a hardy ATM or automated teller machine for rural people.

But its first concept was actually more of a cheap cash dispenser: A gadget that would connect to a community computer that in turn would hook up to a bank's network. Operated by a local entrepreneur, the gadget could then dispense cash. But the multi-purpose computer was typically also used to download forms, retrieve agricultural or send e-mails. Security of applications proved to be a killer and Vortex was soon back to the idea of a simple ATM.

"We thought that it would be easier to change ourselves than the ecosystem," says Kannan, who is also the CTO. Thus was born the Vortex ATM, a sleek machine that costs half as much as the ones that urban consumers are used to. It also uses one-third the power required by a regular ATM, has a battery back-up of four hours built in, does not need air-conditioning, and, best of all, uses fingerprint identification rather than have the user to punch in a personal identification number as a check.

"The villagers loved it, particularly the women, because they did not have to read and remember big numbers that traditional ATM cards require," says Kannan. The ATM can also dispense used notes —banks desperately want this feature.

From 2008, some 50 Vortex ATMs have been established in remote areas, helping in National Rural Employment Guarantee Scheme distributions. The State Bank of India finally validated Vortex's effort by placing an order for 600 ATMs, of which a hundred have already been deployed. "At least three more banks are talking to us," says Kannan, excited about the Indian rural opportunity.

The start-up's bright future helps it with a wildcard into this list of businesses not older than three years.

NITYA VARADARAJAN

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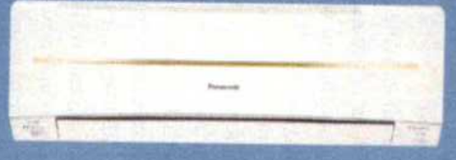

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Menon: Attempting to solve drinking water woes

DEBASHISH PAUL

WATERLIFE INDIA

Liquid Riches

In 2006, he was to take over as the Singapore-based head of General Electric in South East Asia, but Sudesh Menon, already heading the conglomerate's operations in Malaysia and 37 years old then, opted out. Reason: He was more charmed by an invitation from K. Anji Reddy, Chairman of pharma major Dr Reddy's Laboratories, to come back to India to attempt solving the drinking water problem in the country's villages.

Menon joined WaterHealth International as its India CEO. Last year, he ventured out on his own because "certain differences in the long-term vision, the greater opportunity both in market space and technology options made me think on a much larger canvas". He set up Waterlife India in January 2009 and today counts more than 200 water purification installations across three states.

The business model is simple: A private-owned supplier of clean drinking water. Waterlife installs water systems, operates and maintains the plant, and collects charges from consumers. "Waterlife has multiple revenue streams like setting up water treatment facilities for the government, user fees from sale of water and the operation and maintenance charges," says Menon.

For a new installation, Waterlife's field staff visits a village or urban area to understand local drinking water requirements. They analyse the viability of a village and test alternative sources of water for contamination.

Waterlife then builds a plant customised to deal with the water in that area, using environment friendly technologies, hires locals to run the machinery, which is inspected and maintained by its people round the year.

"This would be the most growing business in a growth industry," he says. There are 600,000 villages in India, over 120,000 government-licensed hospitals, some 100,000 schools and over 65,000 restaurants with regulatory sanction—all of which need water systems or clean water supply.

Waterlife is targeting all these segments and Menon's revenue targets reflect his bullishness: He aims to grow his company's under Rs 5 crore revenues to over Rs 500 crore within the next five years.

E. KUMAR SHARMA

FOCUS: Water purification systems, services

FUNDING: Seed capital by social venture fund Aavishkaar

ADDRESSABLE MARKET: Rs 18,400 crore ($4 billion)

REVENUE: Under Rs 5 crore

BIGGEST RISK: Populist government policies

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–Rabindranath Tagore, quoted by school teacher

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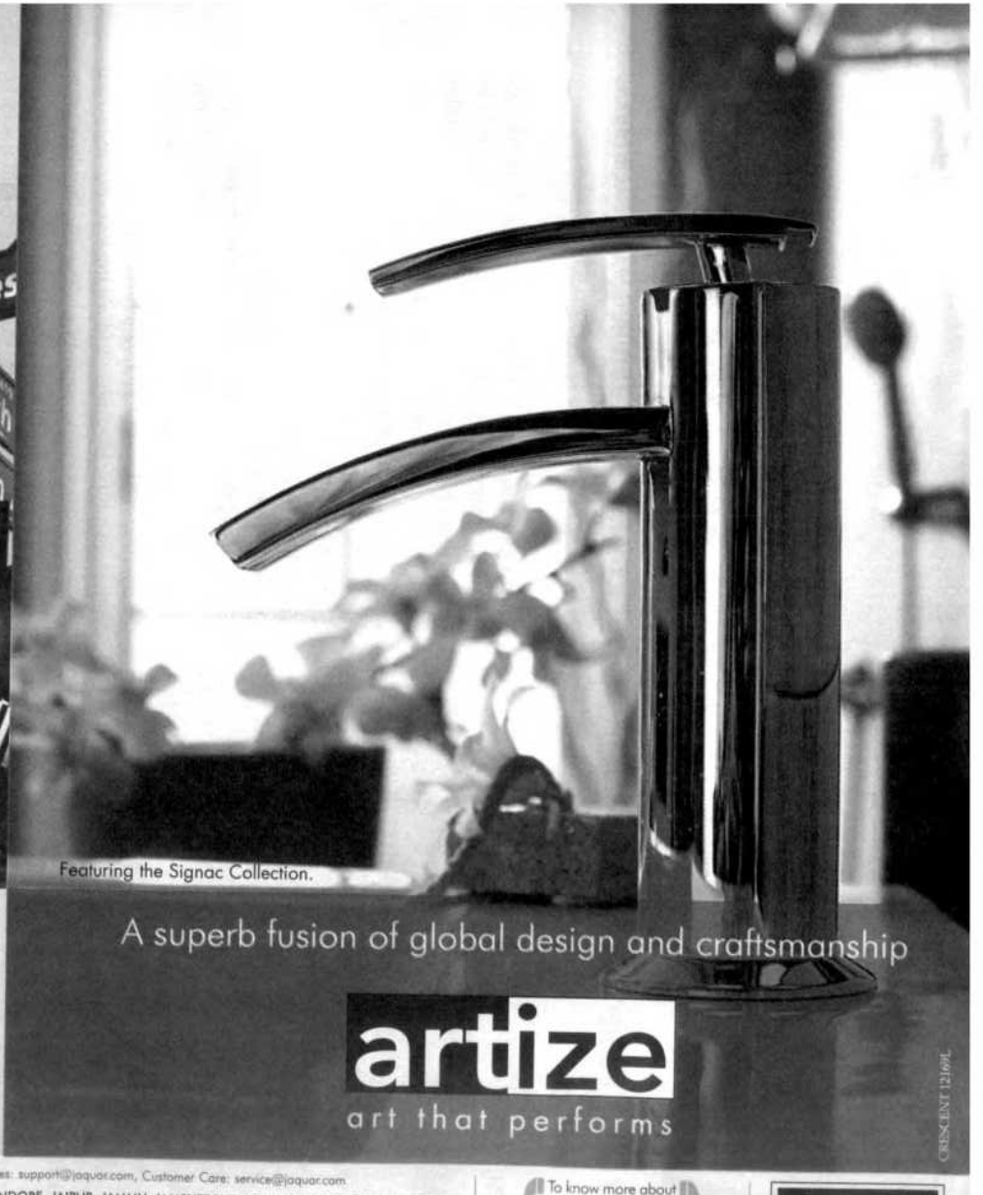

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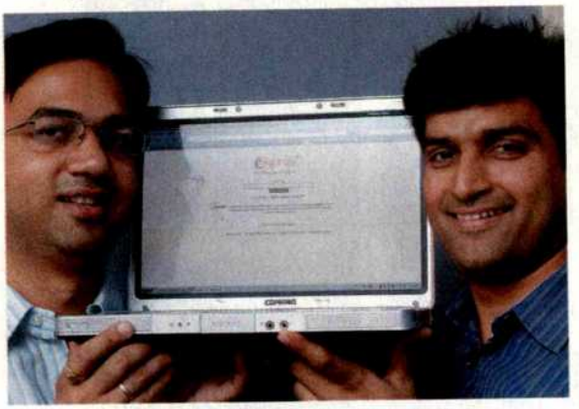


Anurag Dod and Gaurav Mishra: Not a team any more

START-UP YEAR: 2006
FEATURED IN: BT's Hottest Start-Ups 2007
IS NOW: Still up but virtually run aground

Started as a desi Google to trawl the web for some 50-million-plus web pages hosted in India, this Sequoia Capital investment has struggled for traction. Much of Guruji's grief has come from web giants such as Google and Yahoo localising their own search and from its own inability to attract enough users to make its business plan viable. One of the company's founders left a year ago and the other, Anurag Dod, was arrested in Bangalore recently for alleged copyright violations. The company that brought the charges? Ironically, the iron-fisted Super Cassettes (owner of the Tips brand), which initially made its name from bootleg music sales before going legit more recently.

Jigrahak.com

START-UP YEAR: 2003
FEATURED IN: BT's Hottest Start-Ups 2007
IS NOW: Cantering along, tracking India's mobile phone base

The Helion Ventures-investee firm and its brand ngpay today has over 115 brands on its mobile payment site, across 10 sectors, and company executives say more are being added every month. Sourabh Jain, the CEO, touts his company as a fast-growing mobile commerce platform in the country and the largest mobile channel for Indian Railways and Fame Cinemas. The mobile site has racked up over 5,00,000 users and has won a slew of awards. Jain says the company is bringing new categories (arts and craft, for example) onto the mobile and extending cellphone-friendly categories such as gifting and ticketing further.

Seventymm

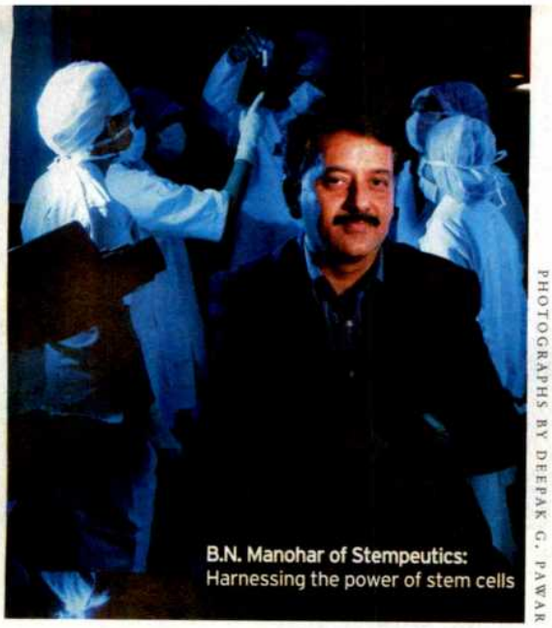
START-UP YEAR: 2006
FEATURED IN: BT's Hottest Start-Ups 2007
IS NOW: Ahead of peers, finds itself in a crowded market

A Rs 100 crore in funding from Matrix Partners India, Draper Fisher Jurvetson and NEA Indo-US Ventures and a new CEO in Mudit Khosla has helped Seventymm reinvigorate its business. India's largest movie rental service—or so the company claims—today has over 20,000 tracks on offer in 14 languages. It recently launched Seventymm Ticket Counter, an online service that lets you book tickets for the latest film releases in your city. However, it's not been a smooth sailing for the top management at Seventymm. The company was sued for Rs 50 crore in January last year by optical media maker Moser Baer for violating sole and exclusive video rental rights for over 10,000 movies.

Lordsofodds.com

START-UP YEAR: 2007
FEATURED IN: BT's Hottest Start-Ups 2008
IS NOW: Chugging along fine with little competition

Its single-minded zeal to be India's largest fantasy gaming company continues, but founders Rajesh Kallidumbil and Hariharan K. have jumped on the social media bandwagon to expand their horizon. So, Lordofodds.com has some 10,000 users currently, but applications on sites such as Facebook have added over a lakh overall and helped the company break even in October last year. The company has expanded into new formats and used its gaming heritage to dabble in digital marketing, too. Having sealed partnerships with the likes of ESPN and MTV, it continues on its high-octane growth path. While funds from its angel investor and internal accruals are keeping it going for now, Hariharan says the company could consider going to new investors a year from now.



B.N. Manohar of Stempeutics: Harnessing the power of stem cells

PHOTOGRAPHS BY DEEPAK G. PAWAR

Stempeutics

START-UP YEAR: 2006

FEATURED IN: BT's Hottest Start-Ups 2008

IS NOW: One of the few stem cell research firms left standing

It has been action stations for the stem cell research company funded by the Manipal Group. Over the past year, the company has received clinical trials approvals from India's drugs regulator for its therapies for acute myocardial infarction and critical limb ischemia. It has also got the approval of Malaysia's Ministry of Health to conduct clinical trials for cerebral stroke there. As a result of its research over the past couple of years, Stempeutics has entered into a deal with Cipla for handling its go-to-market work. Cipla is sponsoring Rs 50 crore in Stempeutics for a range of stem cell-based products, even as patient recruitment for clinical trials gets rolling.

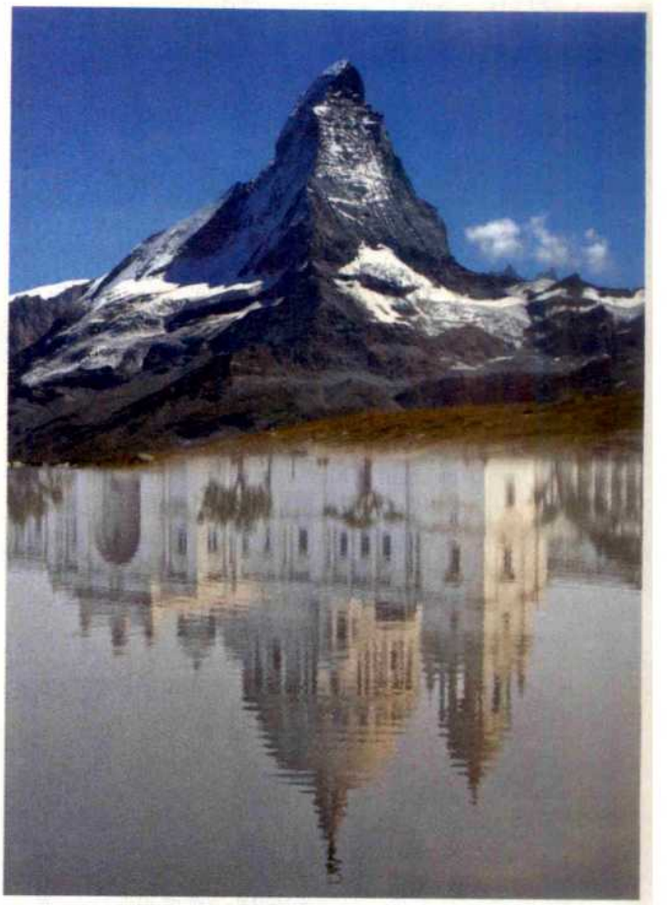
Ikya

START-UP YEAR: 2007

FEATURED IN: BT's Hottest Start-Ups 2008

IS NOW: Well outgrown its infancy and fast scaling up

Human resources industry veteran Ajit Isaac acquired a controlling interest in Bangalore-based Ikya back in late 2009. Since then, the 43-year-old Isaac has focussed on rapid topline growth, bought recruiter Coachieve Solutions and a facilities management firm, and has increased its bank of temps or temporary staff for hire to 14,000 from 10,000 in the last year. Its executive search business now has over a 100 consultants spread across six verticals in six cities. After clocking Rs 220 crore this past year, Isaac, a former HR Head of the Essar Group, is now looking to buy facilities management companies (Ikya runs over 17 million sq. ft. under management) and could also take over a real estate security solutions company to expand its portfolio.



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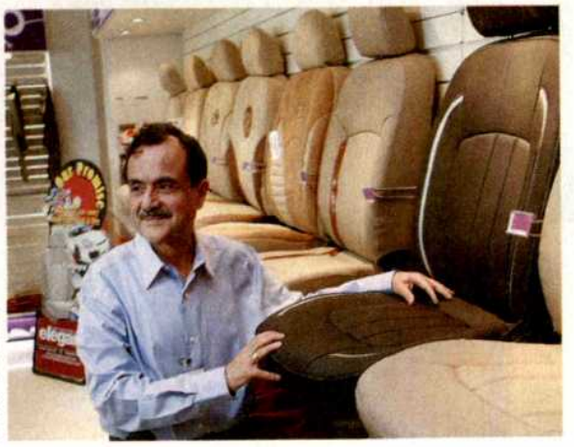
Inbiopro

START-UP YEAR: 2007
FEATURED IN: BT's Hottest Start-Ups 2009
IS NOW: Gearing up for a big upturn in fortunes

Since featuring in our Hottest Start-Ups list last year, Inbiopro has continued to focus on on strengthening its pipeline of biosimilars, as off-patent biotech drugs are commonly referred to. With these biosimilars, especially monoclonal antibodies, which have potential use in cancer treatment, the firm is now poised to enter into strategic alliances with Indian and global multinationals for manufacture and marketing of the products. The long-term aim of Inbiopro, which has two rounds of venture backing from Accel India, is regulated markets like the European Union and Australia. With a change in the slow pace of regulatory approvals for biotech drugs globally, Inbiopro may be in for good times.



SUBIR HALDER

Jagdish Khattar: On a multi-brand roll

Carnation

START-UP YEAR: 2008
FEATURED IN: BT's Hottest Start-Ups 2009
IS NOW: On its way to be India's biggest multi-brand auto servicer

The brainchild of former Maruti Suzuki Managing Director Jagdish Khattar, this chain of multi-brand auto sales and service outlets has spread to 18 locations. After building a nationwide network, Khattar has started new initiatives such as a service-on-wheels (where a fully equipped service vehicle can go to the customer premises) and has tied up with DC Design and Fiat to provide spares and support to customers. Earlier in May this year, Khattar disclosed plans of extending Carnation's business with an entry into spare parts by leveraging a technical tie up with Magneti Marelli to tap into a Rs 20,000 crore-plus market. It's not just in sales that progress is being made. Carnation has outsourced its finance and HR processes to Genpact in a five-year deal as it seeks to focus on its core business.

Sriram Adukoorie and Kiran Konduri: On to Plan B

Asklaila.com

START-UP YEAR: 2006
FEATURED IN: BT's Hottest Start-Ups 2009
IS NOW: Into SMS and other methods of search

A tough online market for local search has seen the Silicon Valley Bank and Light Speed Ventures-funded company take its model offline, with the opening of a call-centre based search operation. It has expanded into other search methods too, including SMS search, as the competition begins to intensify. With a fast-changing market, founders Sriram Adukoorie and Kiran Konduri had better be aware of rivals and the need to expand Asklaila's services. The oldest player in the game, Yellowpages, has gone online, while others such as Just Dial, funded by Sequoia Capital, are even more aggressive, planning overseas forays to tap English-speaking markets. With consolidation intensifying in local search, however, industry watchers see Asklaila as the next target of consolidation.

Meritnation

START-UP YEAR: 2001, with business model overhauled in 2007
FEATURED IN: BT's Hottest Start-Ups 2009
IS NOW: Pulling ahead in a crowded online education market

The start-up that was almost grounded before takeoff is rapidly gaining altitude now. Founded by Pavan Chauhan and Ritesh Hemrajanion, former classmates at IIM Bangalore, on a shoestring budget of Rs 40,000, the company initially struggled to get going before securing its first handful of customers. Since those dark days, however, it's been all growth for the web-based education company, says Chauhan. Meritnation today has seven lakh students using its site and has diversified from just retail products to targeting institutions for assessment-based learning tools. With a Rs 5-crore second round funding tied up from Infoedge (which owns the popular naukri.com site), life is looking good for these first-time entrepreneurs.

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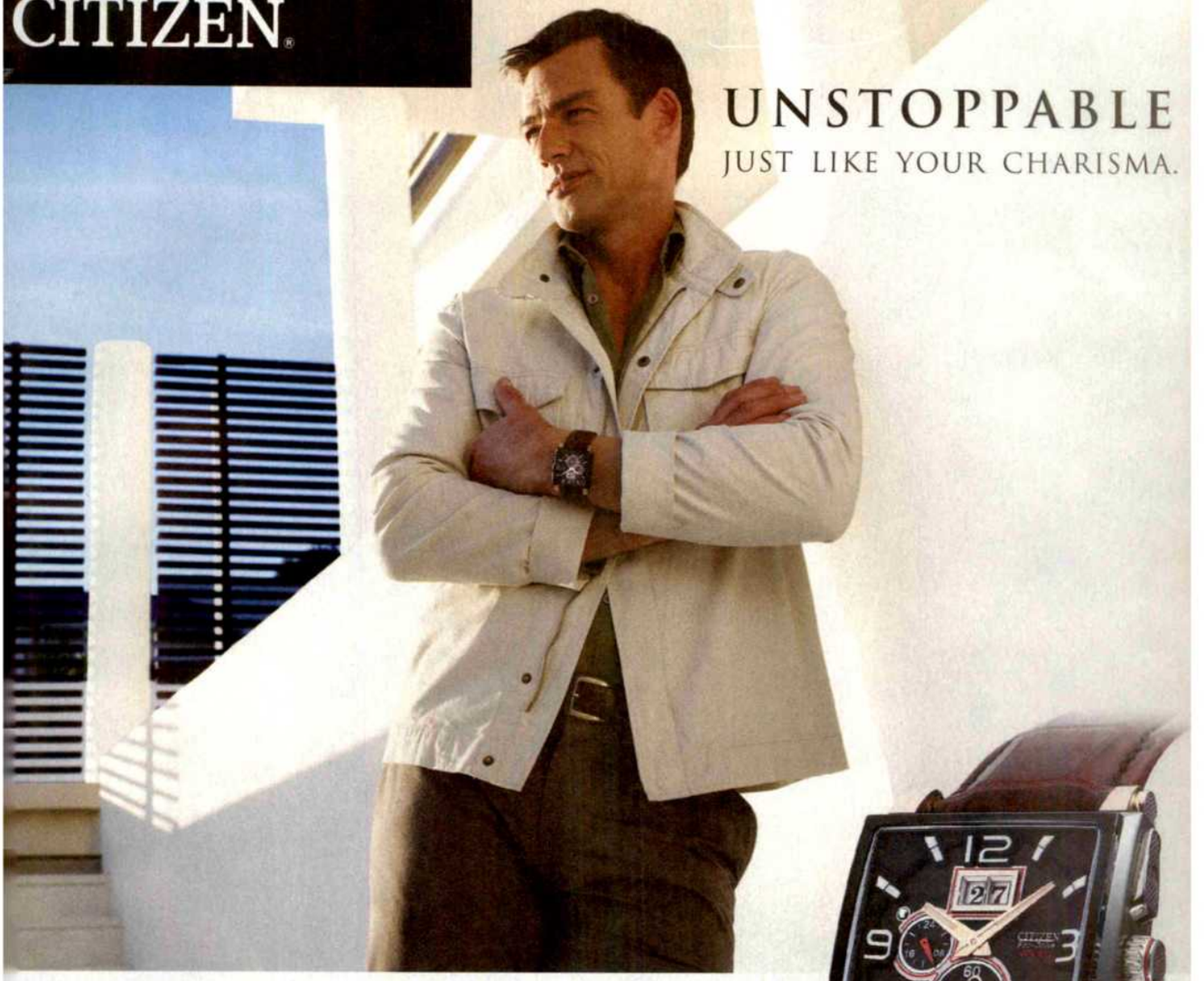

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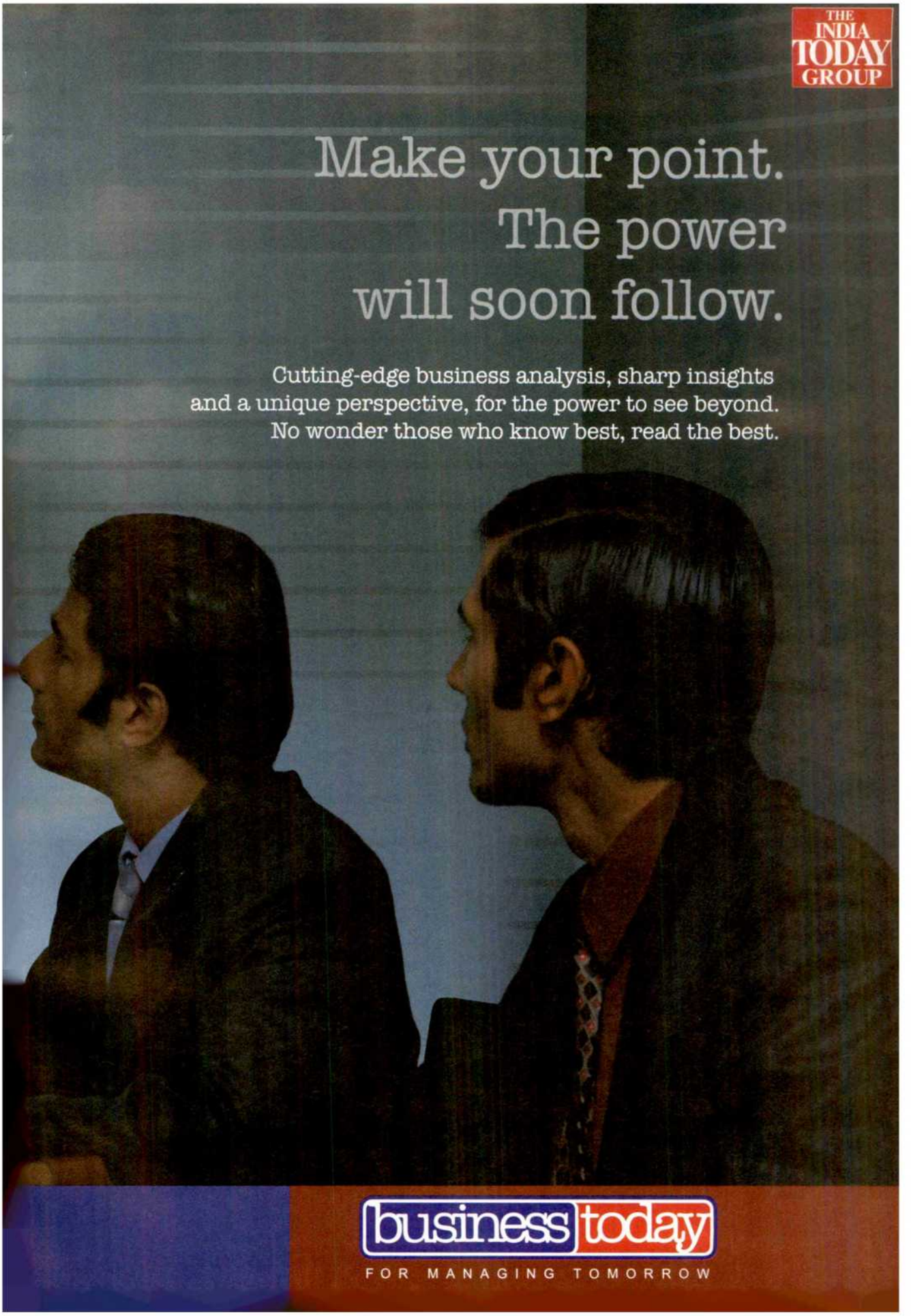
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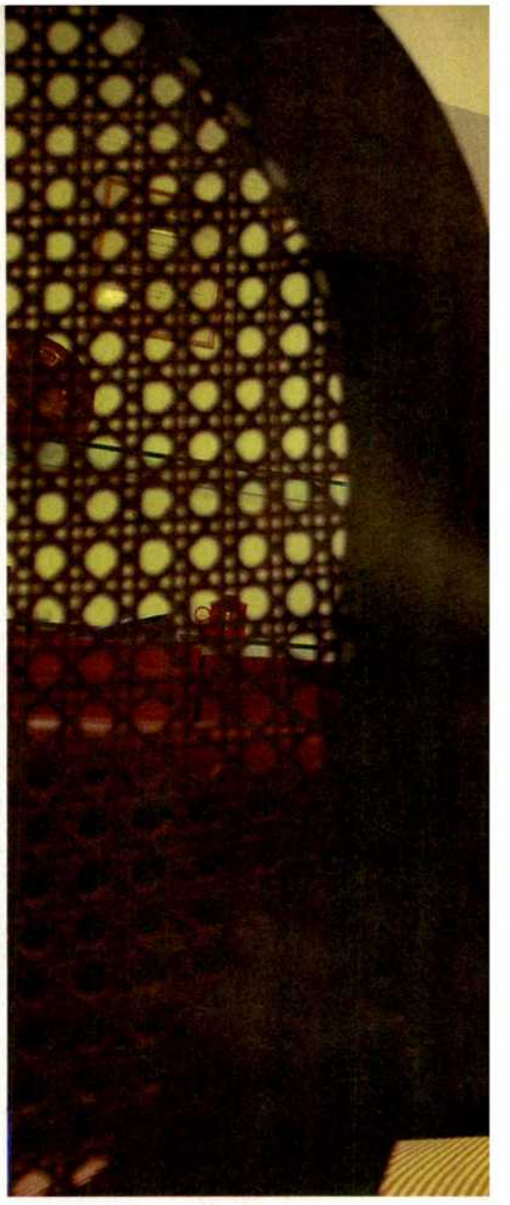

PRIVATE EQUITY'S POWER LEG-UP

Growth-stage funding can be a game changer in a company's journey to scale and scope. Here are four examples of how businesses vaulted ahead with the private equity advantage. MANU KAUSHIK

In July 2009, the board of Bangalore-based Manipal Universal Learning, the corporate education arm of the Manipal Group, was tossing around the idea of buying a foreign university. Growing at a ripping 35 per cent annual pace in three years, Manipal Universal had already acquired a controlling stake in three educational institutions—U21 Global, American University of Antigua and MeritTrac.

CEO Anand Sudarshan wanted to accelerate further. He proposed spending $100 million on the acquisition and sought board approval. Sudarshan's enthusiasm and perseverance got most board members on his side. But for two: Raja Parthasarathy of IDFC Private Equity and Vivek Kalra of Capital Group. Both were not comfortable with the price. The idea was discussed between the members, but no conclusion was reached.

The proposal was referred to the company's investment committee, which deep-dived into an extensive due diligence process. In a few weeks, the committee was ready with its findings and it shocked Sudarshan. "The report said that Manipal Universal would have paid many times more than the actual worth of the institution," says he, adding the idea was immediately dropped.

As risk capital—typically funding from venture capital and private equity (PE)—becomes increasingly an avenue that companies turn to, more and more instances akin to Manipal Universal are throwing up evidence of the big step-up role that such funders are playing in Indian start-ups and growth-stage companies. There is increased acknowledgement of how much strategic value, sector

SHEKHAR GHOSH/www.indiatodayimages.com

ARUN DUGGAL
Shriram Transport Finance

ChrysCapital invested $30 million (Rs 135 crore) in STF in 2005 and Texas Pacific Group (TPG) $100 million (Rs 440 crore) in 2006.

REVENUES THEN (2004-05):
Rs 909 crore

REVENUES NOW:
Rs 4,500 crore

IMPACT OF PE CAPITAL:
Better asset-liabilities management; timely implementation of IT project; brand building.

expertise and support in areas such as global access, new business models, fiscal discipline, corporate governance and senior hiring that PE firms bring along with them.

Take the case of Ace Refractories, formerly a division making kiln-lining bricks at cement maker ACC. Although the division was profitable, it accounted for less than five per cent of ACC's revenues and when Switzerland's Holcim bought majority control in the Indian firm, it decided to put the refractories business on the block. ICICI Venture, India's top PE firm, bought it for Rs 257 crore in 2005.

Right off, ICICI Venture realised how specialised a business refractories were and the importance of retaining talent. It revised compensation and introduced a stock option programme for the entire management. Then, to combat shrinking domestic demand, says Umesh Deveshwar, MD, Ace, the company focussed on export markets. In the first few weeks itself, ICICI Venture asked Nagpur-based Ace to create a new plan for new markets such as Southeast Asia and Europe and focus on turnkey projects, R&D, new products, services, and global sourcing of raw material. The target: double sales in three years with a close check of each step on the way.

The results were eye-grabbing: Ace's exports went up from 11 per cent (Rs 20 crore) to over 20 per cent (Rs 80 crore) of revenues in two years. It began sourcing 100 per cent of its raw material from China, which helped it cut costs by about 15 per cent. Ace introduced four new products, which enabled the company to maintain its market share in the shrinking domestic refractories market. Its revenue rose to Rs 319 crore in 2007-08 from Rs 179 crore in 2004-

SHEKHAR GHOSH

ICICI Venture buys RFCL in 2005 for an undisclosed amount.

REVENUES THEN (2004-05):
Rs 154 crore

REVENUES NOW:
Rs 415 crore

IMPACT OF PE CAPITAL:
Set up new manufacturing facility and R&D centres; RFCL acquired four companies.

05—at a 21.24 annual clip, nearly 10 times the pace it had grown as a division of ACC. (In September 2007, ICICI Venture sold Ace to Calderys, the refractory division of French firm Imerys, for Rs 550 crore, more than double the price it paid for it.)

Investing experiences like Ace are resonating in the PE industry. Experts say, especially after the downturn, the involvement of PE partners in an investee company's operations has grown significantly. "There is pressure on PE firms to turn around the companies they have invested in the last 3-4 years. A majority of PE firms is now hiring operational partners within the firm who may not get directly involved in running day-to-day operations, but are coming up with clever ways to control costs and improve operational efficiencies," says Vikram Utamsingh, Executive Director & Head (Private Equity), KPMG.

Trucking Synergies

In Chennai, in 2006, after global PE major Texas Pacific Group (TPG) invested $100 million in Shriram Transport Finance, the buyout firm's partner Ranvir Dewan was appointed on the board of STF. Dewan, a former Vice-President with Citibank, focussed on faster implementation of an information technology project across 400 branches. Dewan "introduced reporting mechanism to review the progress on regular basis," says Arun Duggal, Chairman, Shriram Transport Finance. Another area where TPG's expertise came in handy was in training staff on asset and liabilities management, and shift from a manual to an electronic management system.

Shriram Transport's portfolio, whose assets under management stood at Rs 5,426 crore when TPG invested, has risen to Rs 30,030 crore by 2010. Profits grew eight-fold to Rs 800 crore. "Better credit ratings have improved the company's stock price and given better access to low-cost funds," says Duggal.

Similar was the transformation at Manipal Universal. In 2006, an IDFC PE-led consortium that included the American buyout firm Capital Group invested around Rs 300 crore in it to fund its expansion plans. "In India, there is a huge demand-supply gap of skilled labour for the manufacturing sector. So far, the industrial training institutes have failed to bridge this gap. Keeping this fact in mind, we identified new areas of business that company could expand into—vocational and skills development education," says Parthasarathy, Managing Director, IDFC PE.

The PE firm enabled the group's joint venture with the UK's City & Guild, a provider of professional and skills education, first. Second, the group, historically run by family members, was able to swiftly expand its professional management team. It was IDFC PE who introduced CEO Sudarshan, CFO Shriniwas Joshi and Head (India Operations) V. Sivaramakrishnan to the promoters.

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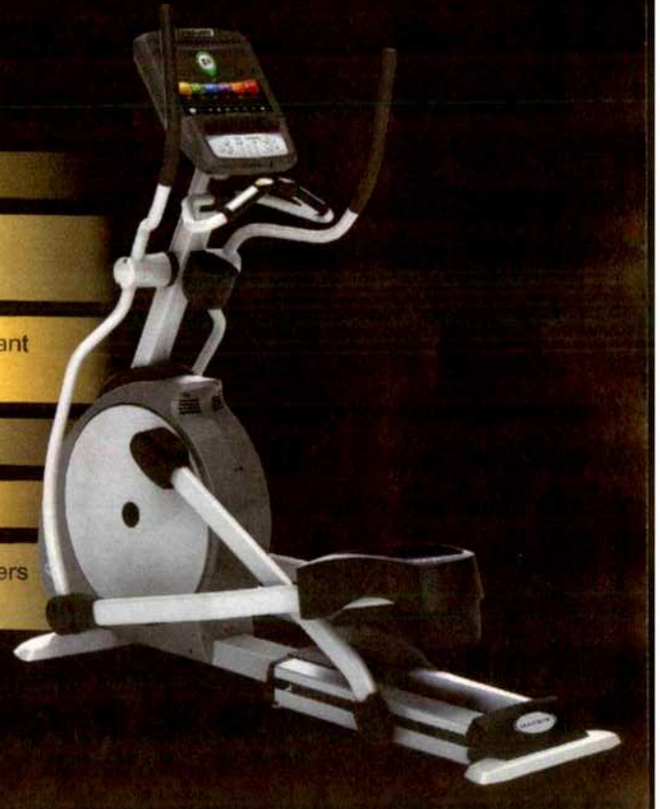

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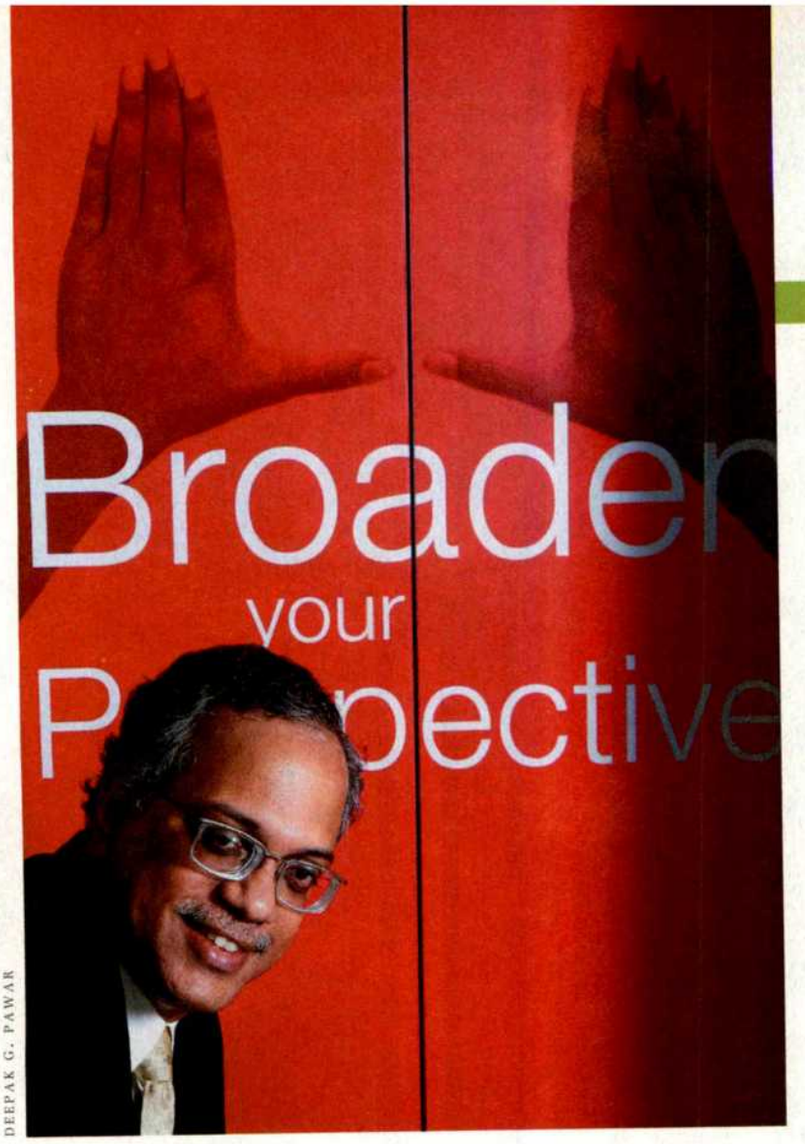

DEEPAK G. PAWAR

ANAND SUDARSHAN
Manipal Universal Learning

IDFC PE and Capital Group invest Rs 305 crore in it in 2006.

REVENUES THEN:
Rs 200 crore

REVENUES NOW:
Rs 1,000 crore

IMPACT OF PE CAPITAL:
Focus on professional and skills development programmes through JV with City & Guild; expand the management team.

With the help of its PE investors, Manipal Universal was able to renegotiate the price of the Antigua campus from the agreed upon price immediately before the economic crisis in the US.

In three years, Manipal Universal's revenues grew over five times from Rs 200 crore in 2006-07 to Rs 1,000 crore in the fiscal year gone by. Moreover the share of vocational and skills development piece in the total revenues has gone up from five per cent to 10 per cent now. The company has also spelt out aggressive plans to expand its vocational education centres from 25 now to 500 in the next five years.

Elsewhere, in Okhla, near Delhi, Ranbaxy Laboratories, in 2005, decided to sell off its animal health, diagnostics and lab chemicals business called RFCL. The buyer was ICICI Venture, which asked RFCL Managing Director & CEO Sushil Mehta to prepare a new growth plan. ICICI Venture "asked us to enhance the scope as it was not interested in paying dividends out of the surplus cash," he says.

Mehta added a new manufacturing plant for animal health in Haridwar and two R&D facilities in Mumbai and Delhi. The PE partner also directed RFCL to take the inorganic route to grow. "They pushed our team and even managed to bring in $20 million from a UK-based hedge fund, GLG Partners," he says. In the next three years, the company made four acquisitions—Alved Pharma & Foods, Wipro BioMed, Godrej Medical Diagnostics and Bremer Pharma.

As a result of these measures, the company achieved its four year targets a year in advance and retired more than 80 per cent of its debt. It grew revenues from Rs 154 crore in 2005-06 to Rs 415 crore in 2009-10. Today, the value of RFCL is over 12 times the assessment made by ICICI Venture five year back, according to Mehta. That doesn't include the amount cashed out from the sale of animal health business to Pfizer for around Rs 300 crore in December 2009. "We played a very active role in steering RFCL towards a profitable business," says Vishakha Mulye, ICICI Venture's MD and CEO. "For instance, we were able to successfully tap into latent strategic interest from global market leaders such as Pfizer Animal Health... thereby giving it a global platform for future growth."

The implications are clear: A start-up could find traction on limited sources of funding in initial years but for the big growth the odds are better off in the company of a PE partner. ⊙

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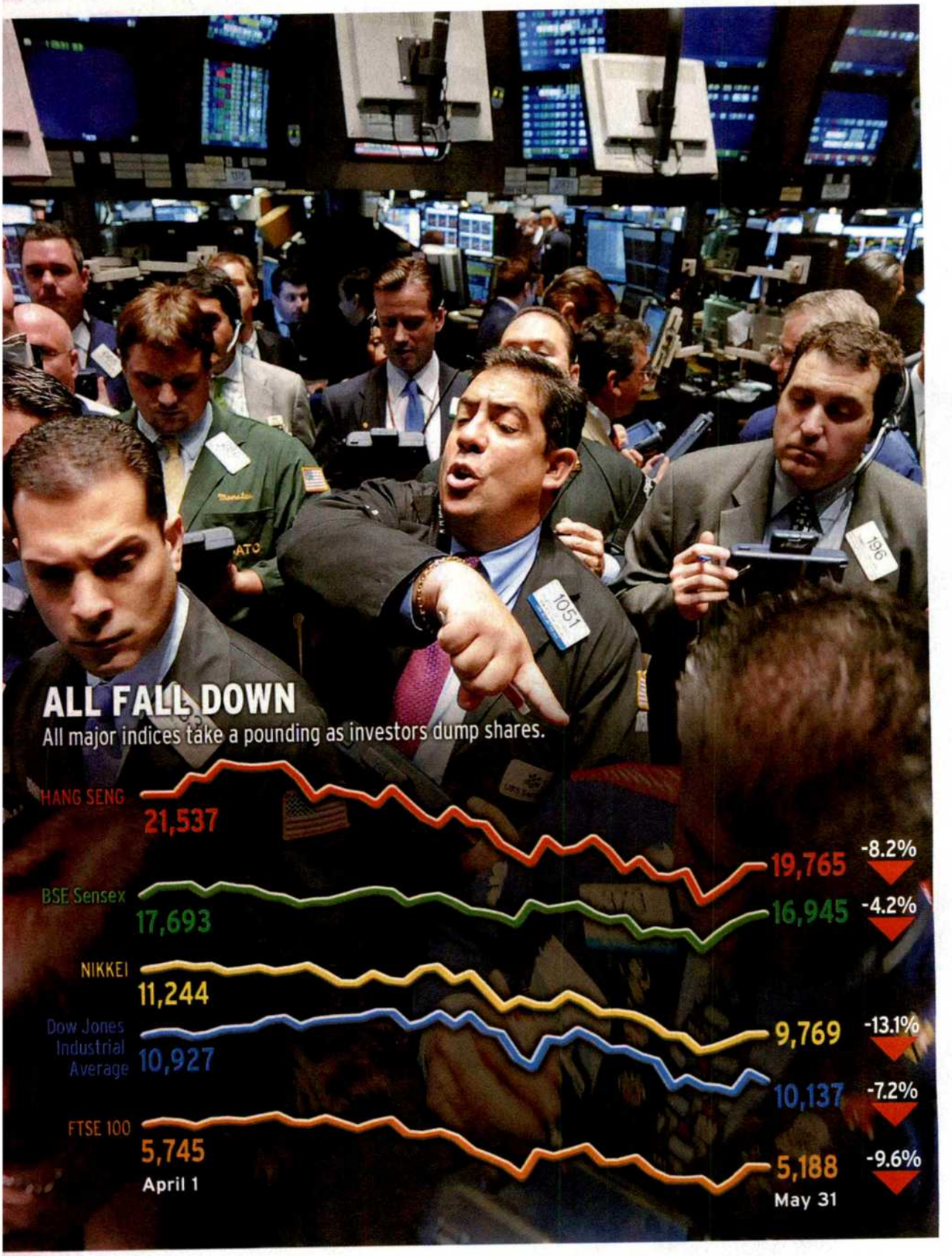
ALL FALL DOWN
All major indices take a pounding as investors dump shares.
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19,765
-8.2%
BSE Sensex
17,693
16,945
-4.2%
NIKKEI
11,244
9,769
-13.1%
Dow Jones Industrial Average
10,927
10,137
-7.2%
FTSE 100
5,745
April 1
5,188
May 31
-9.6%

The Fear Is Back

The eurozone crisis has sent stocks across the globe into a tailspin on fears of a double-dip recession. But though markets may remain jittery awhile, another global meltdown is unlikely. RAJIV BHUVA

Market sentiment, most Dalal Street denizens will explain to you sagely, can be extremely fragile. Something that was on ample display in April and May. Just when the beat of the global economic recovery had the bulls gingerly emerging from the trenches, news of the sovereign debt crisis filtered in from Greece. And soon engulfed the PIIGS countries (Portugal, Italy, Ireland, Greece and Spain). That was enough for the bulls to take to their heels again with a near-synchronous slump in major indices globally. Between April 1 and May 31, every global index that matters tumbled—the average fall was in excess of 11 per cent.

"There has been a correlated fall in indices," says Robert Buckland, MD and Chief Global Equities Strategist at Citi Investment Research. "People are shooting first and thinking later." In India, the Bombay Stock Exchange's Sensex, too, took the global cue and plunged over 9 per cent before staging a minor recovery.

The mammoth €750 billion, or Rs 43 lakh crore, rescue package from the European Union and International Monetary Fund failed to give an adrenaline shot to stocks. While it stabilised bonds, the equity markets remain edgy and nervous with investors worried about the possibility of revisiting the post-Lehman collapse scenario.

And by all accounts, say analysts, the skeletons of the sovereign debt crisis will haunt global markets awhile for a host of reasons. The biggest worry—European banks will need to roll over close to €800 billion of debt during 2010-2012, and to do so they'll have to compete with European governments that last year borrowed some €811 billion among them. This competition for capital between the private and public domains could drive up interest rates, or even lead to a liquidity squeeze for the banks or

THE BIG PICTURE

Why the eurozone crisis has the markets worried.

The faultlines ...

- Sovereign debt crisis could spiral into another global systemic financial crisis
- Euro slide takes toll on export-led Asian economies like China affecting corporate earnings
- Stronger dollar accelerates deflationary pressures in the US, impacting the incipient recovery

... but for the global economy it's not all gloom and doom.

- OECD economic activity is picking up faster than expected
- The affected PIIGS countries account for a minuscule portion of the world trade
- The crisis is not brewing in the US—the heart of the global macro economy

the governments, or both. "There is a strong likelihood of sovereign debt crisis spilling over to renewed systemic financial crisis and global contagion," says Dhananjay Sinha, Strategist and Economist at Centrum Broking.

Also, the European dislocations have chances of transmitting the slowdown to the US. For a faster recovery, the US needs the dollar to remain considerably weak. But, in wake of the crisis, the weakening of the euro and a strengthening of US dollar will accelerate deflationary pressures in the US and is a cause for worry in an economy struggling with high debt and leverage levels. Simply, deflation increases the real burden of debt on an economy, while at the same time cutting into the income required to pay debt interest and principal.

Then, the euro crisis is stoking fears of an economic downturn in the world's biggest growth engine—China. The EU is China's biggest export market, accounting for 20 per cent or $236 billion of its exports last year.

India on Firm Footing

- The economic recovery is gaining traction with India Inc delivering robust numbers
- The 3G bonanza will help rein in fiscal deficit
- Robust GDP growth—7.4 per cent in 2009-10 and 8.6 per cent in first quarter of 2010-11
- Inflation rate is moderating

But ...

- FII flows could be hit, making markets volatile
- EU crisis brings India on the radar owing to its twin deficit and high debt levels
- Robust corporate performance already factored into market valuations

Chinese companies are now reporting losses because of the 15 per cent decline of the euro against the renminbi so far this year.

Ironically, the decision by the German government to stem the bloodletting by restricting certain forms of short-selling in euro area government bonds and German equities had the converse effect. "Initiatives to 'kill the messenger' by prohibiting short-selling are likely to be ineffective and could raise some doubts about policymakers' willingness and ability to deal with their daunting public sector financial problems," says Michael Gavin, Head of Emerging Markets Strategy at Barclays Capital, in a report.

With no immediate "fix it" formula, market players believe that stocks would continue to feel the tremors of the crisis for a while. "This will test the patience of everyone," says Jagannadham Thunuguntla, Head of Equities at SMC Capital.

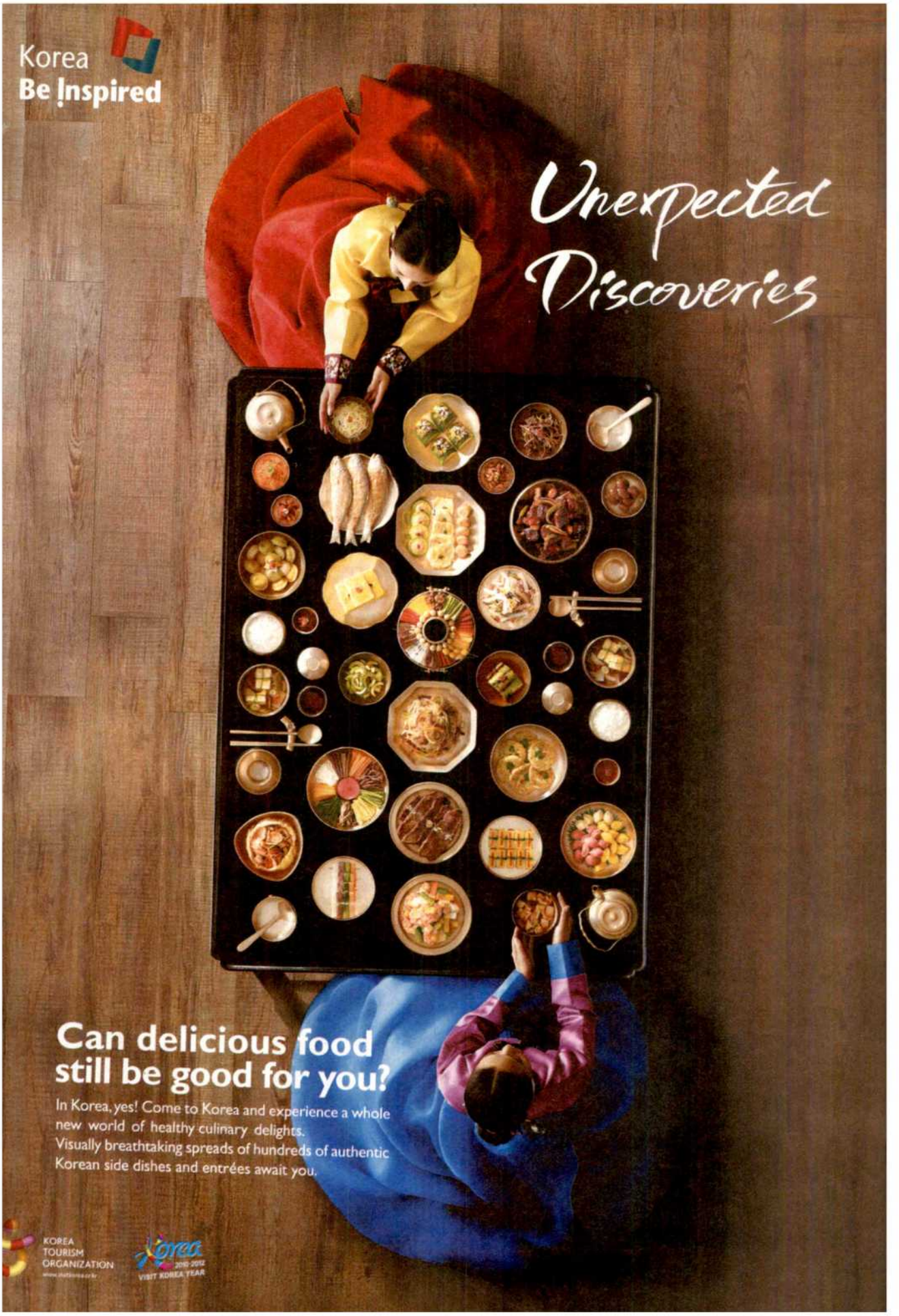
But not many believe that we would see another global crash. For one, the sovereign debt crisis is not brewing in the US—which is the heart of the global macro economy. The affected eurozone countries have a minuscule share of global trade. "The European crisis is nothing compared to the post-Lehman crisis," says Ritika Mankar, Economist with Execution Noble. Also, according to the latest Economic Outlook of the Organisation for Economic Co-operation and Development (OECD), economic activity among its member countries is picking up faster than expected—in fact, the growth projections have already been scaled up. Across OECD countries, average Gross Domestic Product (GDP) is projected to rise by 2.7 per cent this year and by 2.8 per cent in 2011.

Finally, globally the corporate earnings season has thrown a lot of positive surprises. Citi, for instance, has revised its global corporate profits forecast to 36 per cent in 2010, up from 29 per cent. "Corporates are working on 10 to 15 per cent lower cost base compared to 2007 levels."

NISHIKANT GAMRE

"There has been a correlated fall in indices. People are shooting first and thinking later"

Robert Buckland, MD & Chief Global Equities Strategist, Citi Investment Research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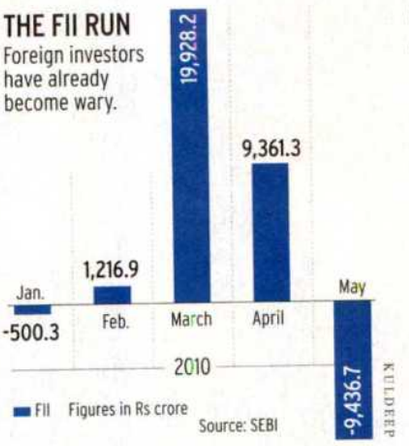
points out Citi's Buckland.

So, how does the global economic turbulence impact India and its stock markets? India's robust domestic consumption story is likely to cushion any blow by adverse global developments. India Inc. has been delivering stellar results in the last couple of quarters. "We don't see strong corporate performance going away over the next 12 months," says Ridham Desai, India Strategist and Head of India Research, Morgan Stanley. Inflation, which prompted the Reserve Bank of India (RBI) to begin tightening earlier than it would have wanted to, is now seen to be gradually getting reined in.

"Inflation appears to have peaked," says Rohini Malkani, India Economist for Citi, who believes that lower commodity prices would drive inflation down in coming months. The RBI is expected to avoid any adhoc tightening of interest rates to stave off the possibility of any global liquidity crunch impacting India. "The problems in Europe will result in lower rates for a much longer period. We no longer expect an inter-policy hike," says Malkani.

Another fillip for the market - The Rs 68,000-crore bounty from auction of third generation mobile phone licences will also rein in the fiscal deficit. Chetan Ahya, Morgan Stanley's Asia Pacific Economist believes that the central government's fiscal deficit should fall to 5 per cent of 2010-11 GDP, compared with earlier estimates of 5.8 per cent. "The consolidated fiscal deficit (including off-budget expenditure) would stand at 8.5 per cent of 2010-11 GDP compared to 9.2 per cent we had estimated earlier," says Ahya.



But despite a favourable domestic economic environment, the Indian stock markets are likely to mirror the global trend in the short term. "The Indian economy is insulated from the global shock to some extent but not its equity market," says SMC Capital's Thunuguntla.

Here's why: In the first quarter of 2010, markets were booming, driven by a surge in foreign institutional investor (FII) inflows in Indian equities. "Eurozone jitters have reduced the risk appetite leading to outflows taking its toll on the markets," says Aditya Narain, Head of India Research at Citi.

Adds Desai of Morgan Stanley, "Indian investors have become extremely cautious. Markets will remain volatile till the euro crisis plays itself out"

In the mid to long term, though, analysts expect the Indian markets to continue to trend upwards and outperform other markets. India commands relatively rich valuations, as measured by price-earnings multiples (P-E), compared to other developing countries—a premium given for its strong economy, insulated in large measure from global shocks. And analysts say it'll be a similar story going forward. "Once there is stability we'll see resumption of capital inflows," says Vaibhav Sanghavi, Director (Equities), Ambit Capital. Better-than-anticipated results in the first quarter of 2010 has provided an earnings upgrade cycle which would provide further support to the market.

"Every bout of volatility and market dip makes the strong India story cheap for long term investors," says Ramit Bhasin, MD and Head, Markets (India), Royal Bank of Scotland. And if you were to go by Morgan Stanley estimates, the markets are heading for a 10 to 15 per cent growth over the next 12 months. "This is not a beginning of a bear market," says Desai.

A statutory warning—it could all go horribly wrong if more bad news trickles in from the eurozone. ⊙

"Indian investors have become extremely cautious. Markets will remain volatile till the euro crisis plays itself out"

Ridham Desai, India Strategist & Head of India Research, Morgan Stanley

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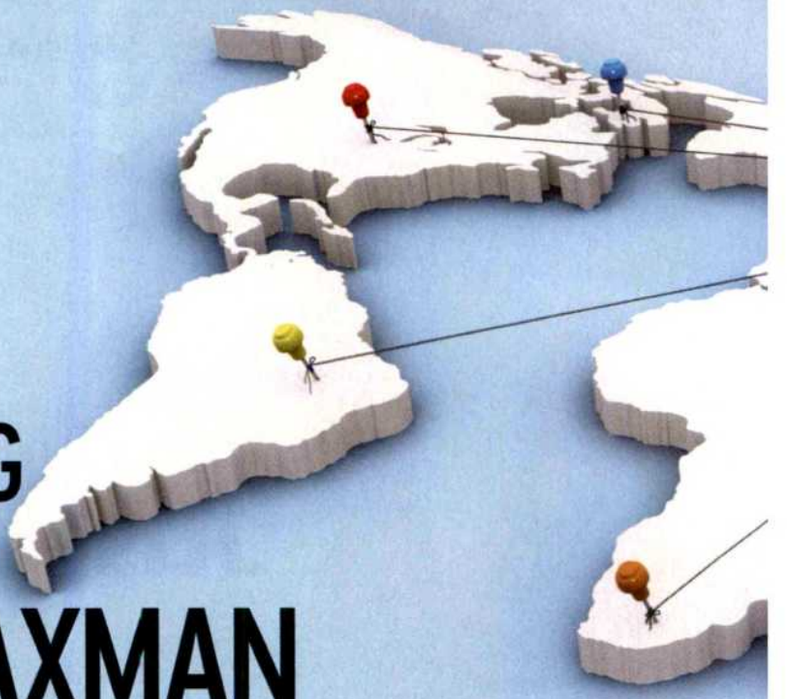


THE LENGTHENING ARM OF THE INDIAN TAXMAN

A host of global corporations—Vodafone, Microsoft, Dassault, to name a few—struggle to comprehend the country's tax administration and its ways. How bad is it and what is the way out? SHALINI S. DAGAR

The afternoon of Monday, May 31, brought Vodafone International a letter it had been expecting for 16 months. A notice from the Indian Income Tax department, it marked the next milestone in a regulatory battle between the world's biggest mobile telephony provider by revenues and the Indian taxman—one that is expected to drag on for a few years at the least.

Already, the two sides have been competing on legal repartees. The department's last notice to the company was a fat 3,000-page plus. And the reply was equally voluminous at nearly 2,000 pages.

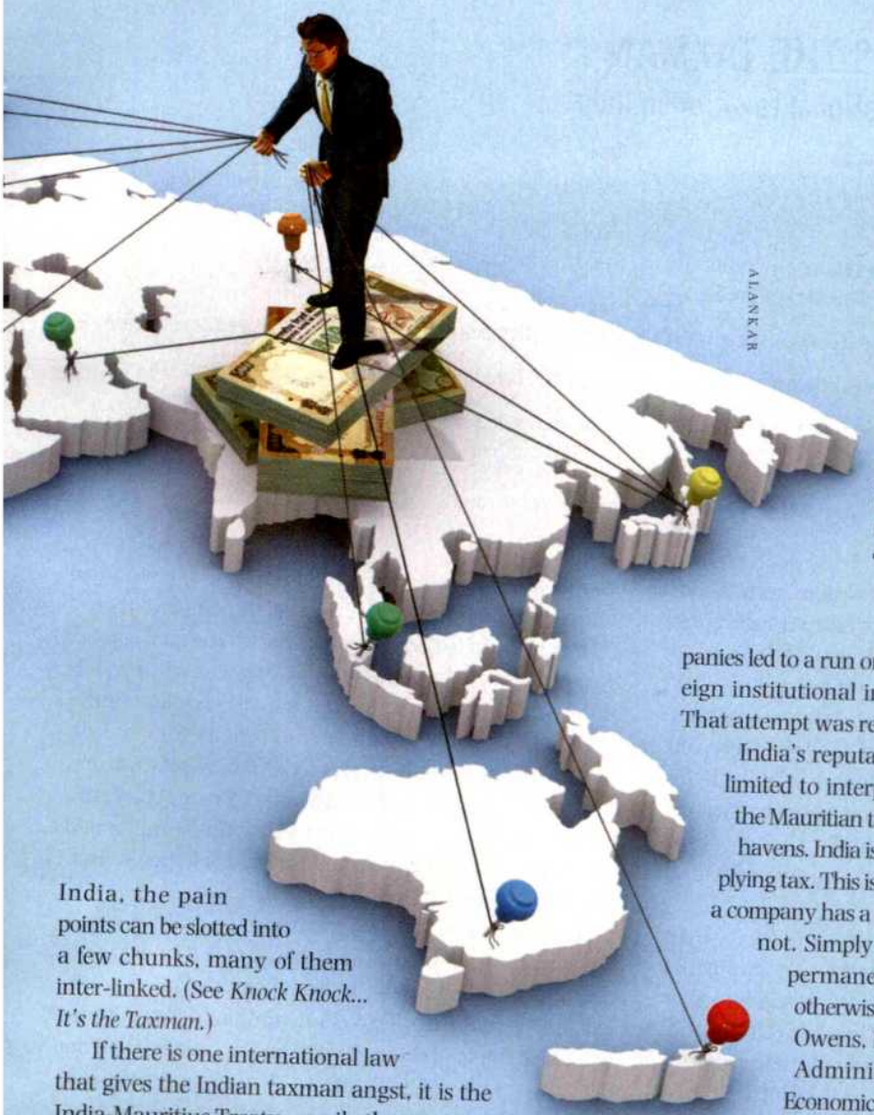
At the core of the dispute is the right of the Indian tax authorities to tax a $10.9 billion buyout by Vodafone of two-thirds control in Mumbai-based mobile operator Hutchison Essar. The deal was structured as an acquisition by Vodafone International, part of the UK's Vodafone Group, of a holding company controlled by Hong Kong's Hutchison Whampoa in the tax haven of Cayman Islands. In effect, it was a transaction forged overseas by two foreign companies of a business mostly based in India.

Vodafone, headquartered out of London, is clear that the deal is not taxable under Indian tax laws of the time. It is "fully confident that no tax is payable by Hutchison on this transaction and that Vodafone has no liability in any event", the company said in a statement after receiving the notice on Monday. Senior tax officials say theirs is a "substance over form" approach and find the company's stance bizarre because the underlying value of the Cayman Islands holding company was almost entirely in India and, therefore, it is subject to capital gains tax. They point to the initial draft of the Direct Taxes Code, meant to overhaul India's personal and corporate direct tax structures, which addresses and taxes such transactions under a set of rules grouped under the General Anti-Avoidance Rules.

Though no tax demand has been made as of now (the latest notice claims India has jurisdiction over such deals structured overseas), if India's right to tax is affirmed by the courts of the land, the tab would be in the region of $2 billion.

The Vodafone case is being watched keenly by the business community across the world—numerous ambassadors of countries such as the UK, the US and Australia have voiced their concerns with India—as the outcome will probably set the precedent for other such cases. As India integrates with the world at a fast pace and more and more foreign companies find the world's second-fastest growing major economy a lucrative place to do business in, such disputes are sure to rise. Even so, several of those foreigners are finding the red tape a huge challenge.

Administration of tax on foreign companies, the world over, is a maze of international treaties to avoid double taxation and local application of such agreements. In



ALANKAR

THE CRUX

There has been a rising number of disputes between foreign companies and tax officials.

Most disputes are on whether any tax is payable at all, or at what rate.

Tax officials feel MNCs manage to avoid tax in far too many India-related transactions.

MNCs contend they follow the law as it exists, resolution process too lengthy.

The new Direct Taxes Code is likely to reduce the scope of such disputes.

India, the pain points can be slotted into a few chunks, many of them inter-linked. (See *Knock Knock... It's the Taxman.*)

If there is one international law that gives the Indian taxman angst, it is the India-Mauritius Treaty—easily the most contentious set of rules and regulations as far as foreign companies are concerned. Signed in 1983, this treaty has a clause whereby India has committed to not taxing capital gains realised by Mauritius-registered companies. And since Mauritius itself imposes no tax on capital gains or distributions, companies registered there go completely tax-free. Other tax havens such as Cayman Islands and Cyprus, too, have similar treaties with different countries making for a phenomenon called "treaty shopping" among global businesses looking out for the most favourable tax regime.

Infinite Interpretations

Some 44 per cent of foreign direct investment into India, for instance, is routed through Mauritius, leaving the tax department fuming and attempting at least a few times to challenge provisions in the tax avoidance treaty—prominent among these being an attempt made in 2000 when a tax-avoidance accusation against Mauritius-registered companies led to a run on the stock markets because most foreign institutional investors take this route into India. That attempt was rescinded double quick.

India's reputation as a difficult jurisdiction is not limited to interpretations and re-interpretations of the Mauritian tax treaty or tax treatment in other tax havens. India is often perceived to be aggressive in applying tax. This is most visible in cases seeking whether a company has a permanent establishment in India or not. Simply put, if the foreign company has a permanent establishment, it will be taxed; otherwise it is not liable to pay tax. Says Jeffrey Owens, Director, Center for Tax Policy and Administration at the Organization for Economic Cooperation and Development: "We know that some businesses are concerned at the willingness of some assessors to find a permanent establishment even when the foreign company's presence in India is very tenuous."

This is evident in recent cases. Sample: in a February 2010 ruling, the Authority for Advance Rulings, or AAR, a quasi-judicial body that settles disputes in tax matters involving dues from foreign businesses and other non-residents, upheld the tax department's contention that a demarcated space in the warehouse of a logistics services provider can be considered a fixed place of business. The case concerns the Singapore unit of computer storage firm Seagate.

The judicial process has, however, more often been favourable to foreign companies. In a case of Morgan Stanley versus the Indian tax authorities, the Supreme Court in January 2008 upheld an AAR ruling that the US investment bank neither had a permanent establishment in India nor had to pay tax in India on global income

KNOCK, KNOCK... IT'S THE TAXMAN

Contentious issues in international taxation in India.

Issue	Moot point	Case	Status
Mauritius tax-avoidance treaty, treatment of inflows from tax havens	Capital gains avoidance	Azadi Bachao Andolan, e*trade	SC says status quo stays, Direct Taxes Code to address it
Permanent establishment	Aggressive application of definition by tax dept	Seagate, Morgan Stanley	Mixed set of verdicts, rulings
Packaged software taxation	Taxed or not taxed as royalty	Microsoft, Dassault, Samsung	Being decided case by case
Transfer pricing	Rules often delayed	Dana Corp, Canoro Resources	Precedents still being set
Offshore supplies of equipment, services to EPC firms	How to tax services	Ishikawa Hyundai	Courts, AAR rulings allow tax on some services

(SC= Supreme Court, AAR = Authority for Advance Rulings, EPC = engineering, procurement and construction)

that arose as a result of back-office transactions from its captive unit here. The income at the back office or call centre unit in India, however, the court said, would be subject to corporate taxes levied on Indian companies. Then, this January, the AAR ruled that Dassault Systemes neither had a permanent establishment in India nor had received royalty from sales of its packaged software in India. If the judgment had been in the taxman's favour, classification of sales of packaged software as intellectual property would have entailed treatment of payments as royalty, which could be taxed.

Still, citing examples of a mindset out of sync with contemporary times, tax experts point to amendments that are applicable retrospectively and clarificatory or concessional circulars that are withdrawn. Or, indeed, the mass of demands that are typically bunched towards the end of an assessment or financial year to meet the stiff annual targets of tax mobilisation set in annual Union Budgets by finance ministers ambitiously attempting to bridge deficits.

The taxman's criticism of foreign companies is also, ironically, one of anachronism. A senior tax department official, who requests anonymity, criticises how foreign companies are clinging on to archaic definitions of a permanent establishment (any entity with a fixed place of doing business) even as they demand dynamism in the law. "Any international practice should be fair. Why should the definition of a (permanent establishment) not change when e-commerce and Internet have changed the rules of business engagement," the official asks.

Experts point to the problem of how tax rules are applied. "I do not think there is anything wrong with the law, it is more to do with the administration," says senior counsel Ajay Vohra, Managing Partner at New Delhi law firm Vaish Associates. In other jurisdictions, he points out, revenue officers have the powers to settle cases and there are very few appeals—not so in India. Other lawyers agree and most are sceptical that the administration will change even with the tax reform underway.

Foreign companies, on their part, say that they are not averse to paying a reasonable amount of tax but the uncertainty and litigious nature of the interaction makes life difficult. Says the tax head of one multinational: "All we want is certainty of costs. And the tax department does not offer those kinds of guarantees. The tax authorities are probably the least progressive of all entities in (post-reforms) India." This executive did not want his or his employer's name taken.

INDIA'S TAX HANDICAP

UTTAM

*Each year on tax matters

Source: World Bank, 2010

Pace Hurts, Too

The other requirement of foreign (or, indeed, even Indian) corporations is speedy resolution of disputes. "In India, unfortunately, the litigation process is very slow. And nobody can envisage the timelines in India...," says Prashant Khatore, partner at tax consultancy firm Ernst & Young. "And even if you get a decision, then, there is no certainty that the same will not be reversed by way of a retrospective amendment, which

happens." A case in point is the famous ITC case: After a long-winded 17-year judicial process, the government attempted to overturn the judicial verdict which was favourable to the cigarette-maker by introducing a retrospective amendment. ITC agreed not to claim the refund of several hundred crores.

The uncertainty about the tax liabilities has a cascading impact on valuation of companies, their deal structuring and indemnity clauses, and, in the long term, even on investment decisions. In Vodafone's instance, people with knowledge of the case's development say that the British-domiciled firm approached the Bombay High Court first in 2007 seeking to avoid the tax department and AAR appeal route to shorten the lifespan of the case. The estimated time for dispute resolution (tax tribunal, High Court and then the Supreme Court) is 10-15 years, while by bypassing the usual channels Vodafone can hope to crunch that to under five years and escape depositing half the tax claim with the government in case of challenges before the authority or courts.

An existing mechanism for settling cases, the Dispute Resolution Panel, has not found favour either with the tax department or taxpayers. Reason: The department is unhappy because the entire amount of tax payments is kept in abeyance till the panel decides on a petition, unlike other modes in which up to 50 per cent of tax due is paid pending final resolution. Tax payers dislike that the panel is constituted of tax officials.

Yet the tax department has its defence. As the senior official quoted earlier argues, companies invest money in India because they see profits here. "Today, there are few places in the world where you can make money. And if you are making money, why not pay taxes. Why defy common sense," he asks. Some 400 cases similar to the Vodafone one are said to be in the sights of the department.

As the presence and size of MNCs in India grows, so will their transactions—many of which will be cross border and raise the eyebrows of the tax authorities as to whether they are losing out on a legitimate source of revenue. But what is expected of them is more than raising of eyebrows—a complete clarity on the tax implication of such transaction and a substantially simplified and quicker dispute resolution mechanism. Though a 2004 Supreme Court ruling had held the treaty shopping legitimate, India's rising discomfort with such provisions is matched by global concerns over tax havens post the 2008 financial crisis. OECD's Owens points out: "We are coming to the end of an era for tax havens. Political tolerance of offshore non-compliance is approaching zero." More than 450 exchange information agreements have been signed with the tax haven countries by members of the OECD since the November 2010 meeting of the Group of 20 countries that decided to take active measures to counter offshore non-compliance. What is interesting, according to Owens, is that China and India are leading developing countries in the negotiation of agreements among non-OECD countries.

After the high-octane press coverage the Vodafone case got in India, China amended its rules in dealing with similar transactions, as did Indonesia. The tax rate rises from 10 per cent to 25 per cent in China. Korea, too, had a few years ago, made similar demands on a few private equity firms. But, as multinationals point out, the big difference is that each of these law changes were made prospectively and not retrospectively, as the Indians seem to be attempting.

As the Indian tax department goes about tracking down taxes that it believes are legitimately due to the exchequer, ancient statesman-philosopher Kautilya's counsel may be useful for direction: "A wise Collector General shall conduct the work of revenue collection...in a manner that production and consumption should not be injuriously affected." In other words, don't kill the goose that lays the golden egg. But, until the fighting department and international companies agree to see eye to eye, foreign businesses will stay on their toes. ⊙

THE AGASSI PRECEDENCE

Indian taxmen believe retired tennis pro Andre Agassi could make for a key instance in their case for levying capital gains tax on the Vodafone-Hutchison transaction. "There are precedents in India from as early as 1946," says a senior tax official in New Delhi, "and from the UK and the US (in recent years)." In May 2006, tennis pro Andre Agassi was asked to pay tax in the UK, on a portion of cash paid to him by foreign companies Nike and Head because he endorsed their products at Wimbledon and other UK tournaments. Law Lords, the highest court of appeal in the UK for domestic matters, ruled that it made no difference that Oregon, US-based Nike and Amsterdam-headquartered Head were paying money to the star's company Agassi Enterprises Inc., based in Las Vegas.

TAKEOVER THERAPY

Piramal's domestic formulations business becomes the latest–and most expensive–acquisition of an Indian drug business by a global pharma major. As the stakes get higher, who's next? E. KUMAR SHARMA

Ajay Piramal: He terms the deal a "transfer of assets", not a sell-out

UMESH GOSWAMI/www.indiatodayimages.com

DAFTERS

The headline numbers are eye-catching: A $30.8-billion pharma major pays $3.72 billion for a 7 per cent share of a highly-fragmented $8 billion (around Rs 42,000 crore) Indian pharmaceutical market. It's a big deal all right, with a sky-high price tag: The acquisition of Piramal Healthcare's formulations portfolio by the Illinois, US-headquartered Abbott Laboratories, at nine times sales, is the most expensive acquisition by a global pharma firm of an Indian drug business. Miles D. White, Chairman of the 120-year-old Abbott Laboratories, feels the $2.12 billion upfront payment plus $1.2 billion over four years (starting from 2011) is indeed money well spent. "India pharmaceutical sales are expected to more than double in the next five years. With this acquisition, Abbott gains immediate market leadership in India. Abbott India expects sales to exceed $2.5 billion by 2020 (up from just Rs 761 crore or around $162 million that it reported for the year ended November 2009)."

Ajay Piramal, Chairman, Piramal Healthcare, a dyed-in-the-wool takeover tycoon himself, stresses that "the combined businesses will become the clear market leader in India." Piramal prefers to see the transaction as a transfer of assets rather than a sell-out, as he still has seven other businesses and 11 other plants to run (see *The Magic Pill Gambit*).

For Abbott, it's a huge ramp-up in size and scale. It will now have the Indian pharma industry's largest sales force, in addition to the highest market share, one of the fastest growth rates of 17.5 per cent (against the industry's of a little under 14 per cent), and will bag a portfolio of 350 branded generics, including such bestselling brands as Stemetil (to treat dizziness/ vertigo) and Stator (a statin drug to check cholesterol). Abbott also gets an opportunity to leverage low-cost manufacturing abilities—the buyout includes Piramal Healthcare's plant at Baddi in Himachal Pradesh, a facility approved by the US Food and Drug Administration.

Indeed, for a multinational that as a standalone company ranked behind several domestic majors like Cipla and Sun as well as Big Pharma MNCs in India like Glaxo-SmithKline (GSK) and Pfizer, emerging top dog virtually overnight is something special —and could well explain the princely sum paid. "I think the deal signifies the value of the Indian market, which is justified by the high growth rate at a time when growth is drying up in mature markets," says G.V. Prasad, Vice Chairman and CEO, Dr Reddy's Laboratories. Growth rates hover around 1-3 per cent in the US and between 4 and 6 per cent in the eurozone.

"What makes India attractive is that it is still a branded generics market (paracetamol to treat fever is still popularly known as Crocin) as against pure generic markets that are witnessing price erosion globally," adds Ajit Mahadevan.

ABBOTT PAYS TOP DOLLAR...

Deal	Value (times sales)
Abbott-Piramal	9 times
Sanofi-Shantha	8 times
Daiichi-Ranbaxy	4 times

...TO RACE TO POLE POSITION

Before acquiring Piramal, it was at #18.

Rank	Company	Value of products Sold* (Rs crore)	Market Share (%)	Growth Rate (%)
1	Abbott+Piramal+Solvay	2,967	6.54	17.5
2	Cipla	2,533	5.58	14.8
3	Ranbaxy	2,237	4.93	3.4
4	GSK	2,208	4.86	3.8
5	Sun	1,966	4.33	14.3
6	Zydus Cadila	1,828	4.03	14.3
7	Alkem+Cachet+Indchemie	1,499	3.30	12.5
8	Lupin	1,462	3.22	16.4
9	Mankind	1,367	3.01	16.7
10	Pfizer+Wyeth	1,362	3.00	13.4
11	Aristo	1,163	2.56	11.4
12	Intas	999	2.20	20.5
13	Dr Reddy's	933	2.06	13.6
14	Sanofi-Aventis	898	1.98	14.3
15	Wockhardt	886	1.95	2.1
16	Micro	882	1.94	12.4
17	Macleods	830	1.83	23.6
18	Novartis	779	1.72	9.9
19	IPCA	757	1.67	17.1
20	Emcure + Zuventus	724	1.60	12.1

*Value of products sold for the May 2009-April 2010 period is at the retailer level. This tends to be roughly 10% higher than a company's net sales realisation
Source: AIOCD AWACS, a pharma market research company formed by the members of All India Organisation of Chemists and Druggists

THE LIKELY SELLERS...

Although they rubbish such a likelihood.

TARGET: **Dr Reddy's Labs**

RATIONALE: Pioneer in drug discovery; an acquisition in Germany, of betapharm, went awry, putting the company under pressure; a partner would help in getting it back on its feet.

COMPANY VIEW:

"We have an opportunity to emerge as leader that is a true Indian multinational"

K. ANJI REDDY
CHAIRMAN, DR REDDY'S LABS

TARGET: **Aurobindo Pharma**

RATIONALE: An in-licensing and supply alliance with Pfizer is seen as an initial toehold before an acquisition by the Big Pharma company.

COMPANY VIEW:

"Aurobindo is certainly not for sale. Our growth has just started"

P.V. RAMAPRASAD REDDY
CHAIRMAN, AUROBINDO PHARMA

TARGET: **Cipla**

RATIONALE: #2 in domestic sales and a leader in generic inhalers; the company has product registrations in around 180 countries.

COMPANY VIEW:

"I am not selling, (but) I am looking for partnerships. I do not mind a joint venture"

Y.K. HAMIED
CHAIRMAN, CIPLA

Partner, Life Sciences Practice, Ernst & Young.

If Abbott's White didn't baulk at the price tag of the transaction, it's because takeovers of Indian drug firms have been happening thick and fast over the past four years. In August 2006, Mylan Laboratories of the US bought up to 71.5 per cent equity in Hyderabad-based Matrix Laboratories for $736 million. Less than two years later, Fresenius Kabi, a wholly-owned subsidiary of German health care group Fresenius SE, acquired 73.3 per cent of the share capital of Dabur Pharma for an estimated Rs 870 crore or $185 million. Then, in June 2008, came the big bang when the Singh brothers of Ranbaxy sold their shareholding (34.8 per cent) to Japanese major Daiichi Sankyo for a jaw-dropping figure of around $2.4 billion (around Rs 9,000 crore). That was followed by the Hyderabad-based vaccine maker Shantha Biotechnics getting acquired by French pharma major Sanofi-Aventis's vaccine entity, Sanofi Pasteur. And this March, Orchid Chemicals & Pharmaceuticals, the Chennai-based pharmaceutical major, announced the completion of a transaction for sale and transfer of its generic injectable finished dosage forms pharmaceuticals business to Hospira India, a subsidiary of Hospira, Inc., a leading global specialty pharmaceutical and medication delivery company.

Add to all of these a string of global alliances that has already been launched—Pfizer with Aurobindo and GSK with Dr Reddy's, among others—and the changes are evident. The urgency is reflected in the gradual increase in valuation—the Ranbaxy-Daiichi deal was done at four times sales, the Sanofi-Shantha one at eight times sales and, now the Abbott-Piramal transaction is valued at nine times sales.

"The prices are going up like those of flats in Mumbai," quips Yusuf K. Hamied, Chairman, Cipla, India's #2 pharma firm in the domestic market. Hamied, a veteran of the Indian pharma industry, isn't particularly surprised by

the trend of consolidation. "I had said in 2005 that the three leading Indian companies—Ranbaxy, Cipla and Dr Reddy's—will not exist as they are and will have to undergo a change in form. Ranbaxy is sold. I am not selling but I am looking for partnerships. I do not mind a joint venture to take up newer products that I cannot market today. And perhaps Dr Reddy's may also have partnerships."

Five years from now, the Indian pharma landscape will be totally different. "This is a highly-fragmented market and, clearly, consolidation is waiting to happen," says Ranjit Shahani, Vice Chairman & Managing Director, Novartis India and President of the Organisation of the Pharmaceutical Producers of India or OPPI. "The share of the top 20 pharma companies in India today (including global MNCs) is around 58 per cent; the rest is controlled by small and mid-size domestic pharma companies," he adds. Indeed, data from IMS, a pharma market research company, shows that 439 companies from a set of 459 companies that it tracks in India, have a market share of 41.4 per cent. And don't forget the thousands of small-scale units that aren't tracked by IMS, which only highlights the fragmented nature of the Indian pharma market.

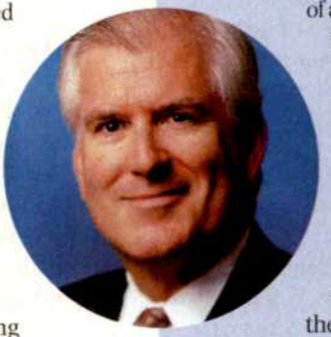
Shahani has little doubt about which way the wind is blowing. "The share of global pharma MNCs in the Indian market is 18 per cent and I see this going up to 35-40 per cent in the next five years."

Novartis is just one of the many Big Pharma companies that has plans for emerging markets. Over the past few years, along with Novartis, Novo Nordisk, GSK, Bayer Schering and Bristol-Myers Squibb have reportedly sought to expand in China. The agendas for various markets could be different. For instance, both Novartis and GSK have set up R&D arms in China. What's more, China is roughly a $20-billion (Rs 94,000-crore) market today—one that Big Pharma can ill-afford to ignore (the global market is about $825 billion). The same applies to India. Although R&D is less of a focus for global MNCs in India—most tend to have issues with the intellectual property rights regime here. (Novartis, for instance, has been fighting a long battle for the patent of its cancer drug Glivec.) But sooner than later every Big Pharma firm worth its salt will be making a play for the domestic market.

So what do the MNCs have to choose from? Plenty still, the burst of acquisitions notwithstanding. A cursory glance through the top 20 (by value of products sold—see *Abbott Races to the Top*) reveals the names of plenty of Indian companies with a strong domestic presence: There's Cipla at #2, which sold a little over Rs 2,500 crore worth of drugs in the Indian market between May 2009 and April 2010, and which grew at close to 15 per cent in that period.

"We Got a Rare Opportunity to Gain Immediate Leadership"

Abbott is now not just *numero uno* in the Indian formulations market, it has also entered the top 10 in emerging markets. That's not bad going for a company that's been present in India since 1910. **MILES D. WHITE**, Chairman & CEO Abbott, tells ***BT*** why Piramal is such an important element of his company's game plan, and why he was willing to pay as much as he did. Excerpts:



Why is India so important for Abbott?

Abbott's acquisition of Piramal Healthcare Solutions is the latest in a series of strategic moves to expand our footprint in fast-growing emerging markets (the others being the recent acquisition of Solvay Pharmaceuticals, Abbott's collaboration with Zydus Cadila as well as the creation of a stand-alone Established Products Division to focus on its leading branded generics portfolio). Emerging markets are expected to account for 70 per cent of the pharmaceutical industry's growth over the next several years. Currently an $8-billion market, India's pharma sales are expected to more than double in the next five years.

What justifies the price tag?

This represented a rare strategic opportunity for us to gain immediate market leadership. Over the long term, we expect Abbott India's sales to exceed $2.5 billion. Piramal's comprehensive portfolio of about 350 branded generic pharmaceuticals aligns nicely with both India's and Abbott's global key therapeutic areas. Piramal also gives us an accomplished commercial and operational team with proven expertise.

Do you expect more consolidation with global MNCs buying into Indian pharma?

India's large and rapidly-growing population of 1.1 billion people, economic growth and improving healthcare access create a significant opportunity. It's likely that we'll see investments into many sectors in India by global MNCs to expand distribution to reach consumers.

Swati Piramal: Eight molecules in trials

BHASKAR PAUL

THE MAGIC PILL GAMBIT

The Piramals still have some wild cards up their sleeve.

When Ajay Piramal ventured into the pharma business and made his first acquisition, that of Nicholas Laboratories, way back in 1988, it was just a Rs 17-crore company. Some 14-odd acquisitions followed, all of which went into the creation of what became a formidable pharmaceutical business called Piramal Healthcare. Its domestic formulations business—Piramal Healthcare Solutions—might have been the cash cow, but by no means are the Piramals left with crumbs after the sell-out to Abbott. They still have seven businesses—including contract manufacturing services, pathology labs, bulk drugs and devices—and 11 plants to boot, which account for sales of roughly Rs 1,800 crore in total.

Those revenues may look like peanuts if the Piramals are able to get their act together in their quest for a new chemical entity. Says Swati Piramal, Director, Strategic Alliances & Communications, at Piramal Healthcare and wife of Chairman Piramal, "If one of our molecules in the drug discovery pipeline goes to market it will be very valuable. We today have eight horses running in the race—these include molecules in advanced phase I and phase II in areas like oncology, inflammation, diabetes, metabolic disorders and anti-infectives, with the head-and-neck cancer molecule in the most advanced phase II stage." Piramal hopes to have a new drug on the market by 2012.

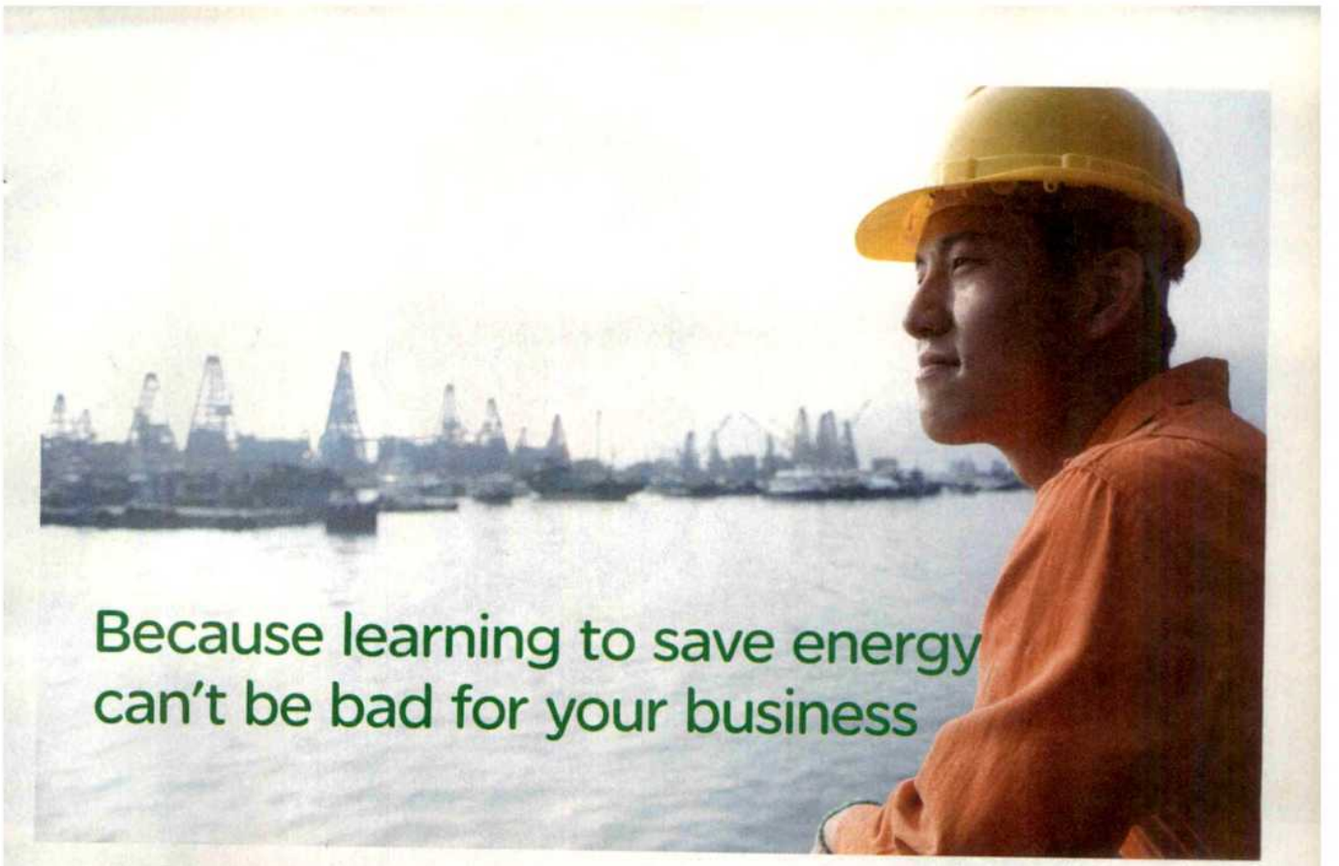
And where will the bounty of Rs 12,000-odd crore (post-tax) be deployed? "The money will go into existing businesses and into new opportunities that we will discover along the way," says Swati. Given Piramal's record at inorganic growth, don't rule out some big-bang buyouts in the months ahead.

Sun Pharma is at #5, Lupin at #8, Dr Reddy's at #13...the options are plenty. The billion-dollar question, of course, is whether the respective promoters are willing to sell.

A clutch of Indian drug firms that faced a few hiccups along the way would appear like the more likely sellers. Dr Reddy's, for instance, stumbled after it made India's largest pharma acquisition in 2006—of betapharm of Germany, for Rs 2,550 crore. The Hyderabad-based company had to rue the decision once the German government's healthcare reforms sent drug prices crashing down. The value of betapharm eroded and Dr Reddy's had to make huge write-downs in its books and ended up in the red in 2008-09. Another Indian firm, Wockhardt, got caught in a debt tangle, which compelled it to consider selling some of its assets. Wockhardt, as a part of a debt restructuring plan, was set to sell its nutrition business, but the deal didn't go through. The interested buyer: None other than Abbott.

A section of analysts sees a fair chance of Dr Reddy's being a candidate for a stake sale, although the company has been duly denying such rumours. Chairman K. Anji Reddy, in fact, sees brighter days ahead. "There is now an opportunity for a leader to emerge as a true Indian multinational company that is both sizeable and has discovered a drug," says the patriarch. He feels things will fall in place by the time Dr Reddy's reaches a size of $5 billion, with $1 billion coming from a new drug. Dr Reddy's reported revenues of $1.56 billion in the year ended 2010, and has set a goal of hitting $3 billion in three years. It is the only Indian drug discovery firm to have a molecule in phase III of clinical trials (balaglitazone, to treat diabetes). Cipla and Aurobindo Pharma are two other names that are crackling on the buyout grapevine, although both their chairmen vehemently deny such a likelihood.

Who will be next is a subject of debate. What isn't a debate is that there will be more acquisitions of local pharma firms. Cipla's Hamied fears that the MNCs will launch new-generation drugs at high prices; one way to bring down those prices, he feels, is for the government to impose a pragmatic compulsory licensing system and to allow Indian pharma companies to copy innovator drugs after paying a royalty to the innovator company. The MNC view predictably is in sharp contrast. "(MNC) products will have to compete and survive in this highly fragmented market where there are still 5,000 small-scale manufacturers and 300 large and mid-size companies; and then there are the price controls imposed by the government which keep prices in check," says Novartis' Shahani. Whatever the fallout, the writing is on the wall: Big Pharma's buyout brigade has arrived, and many more are at the gate. ⊙



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JOHN RIDDING
CEO, FINANCIAL TIMES

PHOTOGRAPHS BY NISHIKANT GAMRE/www.indiatodayimages.com

"THE PLAN A FOR INDIA IS DIGITAL"

A reporter, a foreign correspondent, an overseas bureau chief, a deputy editor, a managing editor, an editor and publisher—and now Chief Executive! That's a splendid career graph and it belongs to **JOHN RIDDING,** *CEO of Financial Times, the global financial daily owned by the London-based education and media conglomerate Pearson Plc, which also owns publishing major Penguin. CEO since June 2006, Ridding has seen print media in the developed world grapple with the problem of dwindling circulation. The 2008 global financial crisis only worsened the situation, as advertising revenues shrank. Ridding saw opportunities in the crisis by putting in place a digital strategy that included monetising content—something that most publishers feared doing—and putting the 120-year-old newspaper on e-readers like the Kindle, introducing an FT iPhone app and, now, an iPad one. That game plan seems to be working well, as Ridding reveals in this exclusive interview with* **BT'S BRIAN CARVALHO** *and* **SUMAN LAYAK.** *Excerpts:*

The last few years have not been great for the print media, and the global financial crisis only made it worse. How did you handle it?

The crisis has been serious and there have been questions about our business model. However, we had already adopted a strategy of growing our content revenues before the crisis hit. It was aimed at making us less dependent on print advertising revenues. We had decided to charge for our journalism online, just as we charge for print. When the crisis hit, there were two ways to respond. One was to be defensive, cut costs and scale back. But the danger of this is you lose readers, and then you get into a vicious cycle. The other option was to keep innovating, experimenting with formats. Even when the times were tough we could still look at acquisitions (FT acquired OCO Monitor, an FDI database and OCO Assess, an online FDI location assessment tool, in April, 2008. In

WE EXPECT THAT OUR DIGITAL REVENUES—WHAT WE GET OUT OF FT.COM—WILL OVERTAKE PRINT ADVERTISING REVENUES THIS YEAR OR BY THE NEXT.

February 2010, it acquired Medley Global Advisors, which provides macro policy intelligence to banks, funds and asset managers). There is a lot of opportunity to have focussed publications beneath the broad umbrella of FT. So we remained profitable through the crisis. Our content revenues increased by 15-16 per cent and we saw a 43 per cent increase in subscription to FT.com in 2009. We saw double-digit growth in print circulation revenues and our corporate subscriptions grew 40 per cent. We have seen pretty strong growth this year and we expect that our digital revenues—what we get out of FT.com—will overtake print advertising revenues this year or by the next. That will be a first of sorts in over 100 years!

Today, digital revenues (advertising and subscriptions) are about 20 per cent while content revenues (print subscriptions and other sales of content like syndications) are around 40 per cent, and the print advertising accounts for the rest. Before the online era, print advertising used to account for 80-90 per cent of the revenues. We outperformed a global market that saw a 30 per cent drop in advertising revenues. Notable success stories included the luxury sector with a three per cent increase in print and 250 per cent online, excluding howtospendit.com.

You have started innovating with the Kindle, the iPhone and the iPad. How successful has it been?

There is a great opportunity in new devices at a time when the cost involved in physical distribution of newspapers is only growing. We have seen 3,00,000 downloads on the i-Phone. We provide charts and data and the ability to manipulate data on the phone. The iPad is another step forward with good video quality. We do around 200 videos a month, which are mostly interviews with business leaders and politicians. Doing videos allows us to access newer advertising budgets (like television) as it is an important source of revenue.

You have also worked with payment models for content.

At FT.com you can get 10 stories a month for free and after that you have to subscribe. Once you have subscribed, you can get the stories from any channel—be it the iPhone or the BlackBerry. Our fundamental philosophy is to tap into the huge wave out there on iPhones or on Facebook and Twitter. Charging for the content ensures we have a more engaged readership. That can be useful for the advertiser too as they know who the reader is. We can also use the knowledge about the reader to target the advertising. We are also working on micro-payments where a reader can pay for just one article, and not have to take an annual subscription to read one piece (which he may have been looking for via a search engine).

You have worked to create a local language product in China. You are about to launch in India—will you look at a similar strategy?

In China we had no option because of the language barrier. But in India, we see a lot of opportunity in English. We have submitted an application for publishing a facsimilie edition. We now fly it in from Singapore, but Indians want it at the same time that people get it in Singapore.

But you seem to be facing legal barriers in India, with a notable competitor not too keen on your arrival. In case you can't launch a newspaper, will digital be your Plan B?

Well, I must say here Plan A is digital. There is already a landing page for India on the website. We are still working on the pricing, but the model will be similar to but cheaper than what it is in the UK and US. We want to engage with the audience here and offer them the various news and data applications that we offer our audiences elsewhere. Obviously, we want both print and digital in India. It works to have both print editions as well as be available on digital channels as the different media can benefit from each other's presence in the same market.

Coming to our plans to launch our print edition, it is nice to come to a place where newspapers are big and are still launching even when many are closing down in other countries. We are going to be a niche publication with our target group being the C-suite—the CEOs, CFOs and decision makers. So the legal hassles we are facing now seem unnecessary. Our aim is not to do a lot of Indian news but to bring a lot of global news and analysis to India and take Indian news on Indian businesses to the global audiences.

How useful is it for the CEO of a publication group to have been a journalist?

We have a strong belief in the independence of editors. While it helps that I know how a newsroom works, I had to rescind myself from editorial. This is different from any other business, where, if the product does not work, you can go ahead and change it. In a newspaper there is total trust in the editor. But an understanding of the newsroom helps, especially when it comes to allocating resources. Also, at FT I spent 15 years interviewing business leaders, understanding their goals and challenges. That is almost like a mini-MBA. ⊙

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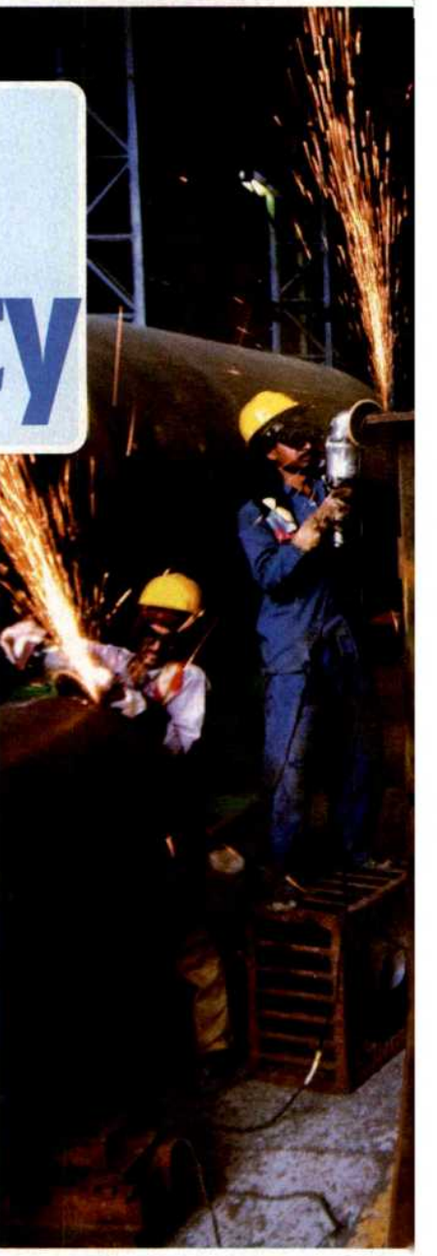
The Skills Opportunity



Goal: To train 500 million Indians over the next 10 years. Possible now: Less than five million a year. But, as this exclusive McKinsey article argues, the gap is an opportunity for private entrepreneurs to make India a factory for skilled talent.

RAMESH MANGALESWARAN AND RAMYA VENKATARAMAN

Skill development is not an end in itself but a means to employment or to the "capability to earn". This implies that trainees will be willing to pay for courses as long as two conditions are met: one, they know, before enrollment, that there will be a positive "return" on their personal investment; and two, they can manage near term cash flows, including the opportunity cost of time. This can make skill development a viable business opportunity as long as the provider can "get the model right".

Indeed, on doing the math, one realises that the training gap of 450 million is one that the government cannot meet by itself. However, it can facilitate the creation of a fertile ecosystem that encourages private participation.

Building a Skills Development Business

Air hostess training for graduates. IT and BPO skills training. Hospitality training as a diploma for class XII graduates. It is difficult to think of for-profit vocational training providers who look beyond popular categories such as these.

However, not surprisingly, majority of the 500 million vocational training opportunities are outside these "clearly attractive" categories. As a result, most of the current private for-profit plays are small in scale (with IT training being an exception) and therefore uninteresting for large business houses and ambitious entrepreneurs. Offering skills that are less established or that cater to socio-economically disadvantaged trainees has been the forte of government initiatives, reputed non-profits, and to some extent, industry associations.

Counter to this trend, we believe that the best opportunities to build large scale businesses are in what we call the "second" or "relatively high risk" segment (see: *Whom to Support?*). This group is defined by two characteristics: one, skill groups that still have largely organised employers but where differentiation in skill level is not as

Skills development: Business opportunities abound in training people for basic manufacturing skills such as welding and forging

VIVAN MEHRA/www.indiatodayimages.com

clearly understood (for example, lower-end service sector skills, construction skills, basic manufacturing skills such as welding and forming), and two, trainees who are relatively economically disadvantaged and typically range from "class 8 drop-out" to "class 12 pass".

Our economic analysis of this segment shows that by getting the model right, an entrepreneur could build a business at scale (around 5,00,000 to a million graduates a year) and also take in an internal rate of return (IRR) of 25-30 per cent, which is dramatically higher than the 10-12 per cent notional IRR in the current non-profit or small for-profit plays.

Players who would like to build such a large-scale skill development business will need to consider seven imperatives—three of which are on the revenue side, three on the cost side and one is organisation-related.

One, ensure tight linkages to potential employers. Skill development businesses must ensure employer involvement in making decisions about which skills to include in the training programme, curriculum design, faculty training and assessment of trainees. Employers have a natural incentive to contribute since they value high-quality trained manpower; moreover,

this linkage also significantly improves trainee placements.

Strong employer linkage is the most common feature of best-practice vocational systems worldwide. In Switzerland and Ireland, for instance, employers help design programmes, set curricula, provide faculty and on-the-job training, and sometimes even support school operations.

Some businesses with large manpower requirements may also choose to "spin off" a skill development or training company, creating a win-win where trainees are attracted by their being an "anchor" recruiter and the business receives priority access to a quality talent pool.

Two, establish and communicate extensively a quality assurance mechanism that is well- recognised by the industry and eventually by potential trainees, therefore enabling them to sign up for courses that guarantee employment.

Three, leverage a dual-pay mode that collects revenue not only from the trainee, but also from the recruiter, who pays a fee for recruiting a high quality trainee. Successful institutes may also create support mechanisms to help the trainee pay fees; for example, through micro-financing or bank tie-ups.

Four, take a "lean" approach to course design, focussing strictly on what is directly linked to greater employability. We find that several courses of six to eight months duration can be optimised to four to five months with no loss of employability. Fully utilising available class time, standardising delivery methods and leveraging industry apprenticeships for part of the training (that come at "no classroom cost" to the institute) are some levers that can significantly bring down the real cost of the course and the opportunity cost of the trainee's time.

Five, innovate on the faculty model; for example, using a "hub-and-spoke" model with expert high-cost faculty at hubs and low-cost facilitators at spokes, supported through strong processes and technology. Modularising the programme, consolidating student batches and running train-the-trainer programmes also help to bring down long-term faculty costs.

Six, drive significant reduction in physical infrastructure costs (we found at least 50 per cent reduction potential in several existing models) by using existing private or government infrastructure, "going closer" to the trainee through a large number of spoke locations (this also increases trainee access significantly), leveraging technology extensively, ensuring multiple shifts and making optimal decisions between owning and renting.

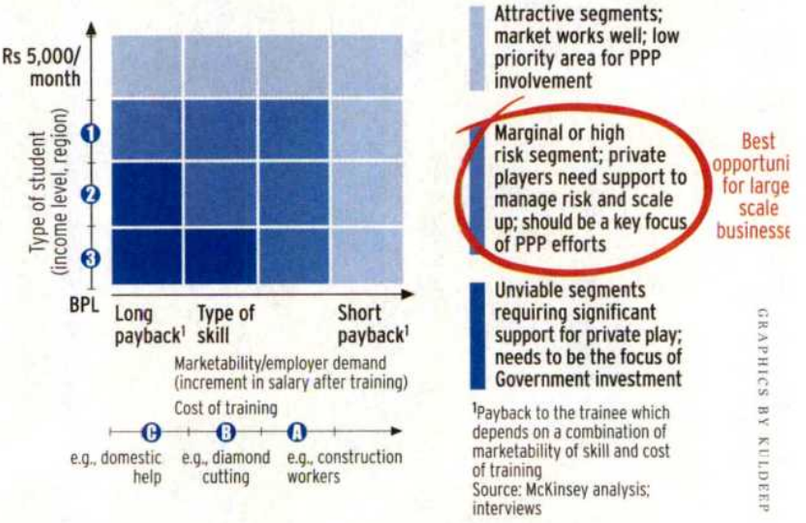
Seven, pull in the right partners with expertise in standards, curricula, placements and so on, especially when trying to ramp up rapidly.

These seven imperatives can have three dramatic effects: bring down the cost of the course to 30-50 per cent of current levels (see *Cutting Costs*); reduce the "breakeven" for the trainee from nine-to-12 months to three-to-four months through both higher income levels and lower fees; and enable access to a much larger number of trainees. These effects, in turn, will translate to a large scale business with IRR in the range of 25-30 per cent, making it a worthwhile opportunity.

The imperatives can bring down the cost of the course to 30-50 per cent of current levels; reduce the "breakeven" for the trainee from nine-to-12 months to three-to-four months.

Whom to Support?

By supporting segments where skill differentiation is less understood, private players can clock fast returns.



The Government Imperative

At the same time, India's skill development needs cannot be addressed by the private sector alone.

For the "clearly attractive" segment that is served by private players already, government intervention may not be essential. However, for the second or "relatively high risk" segment that we have been focussing on (and which forms a large percentage of the country's needs), the right form of government participation can play a significant role in supporting and accelerating high quality and large scale private plays.

As with the private sector, we also see seven imperatives for the government: the first three relate to making private plays more viable and the last four suggest putting in place enabling mechanisms that can indirectly allow higher quality players to succeed.

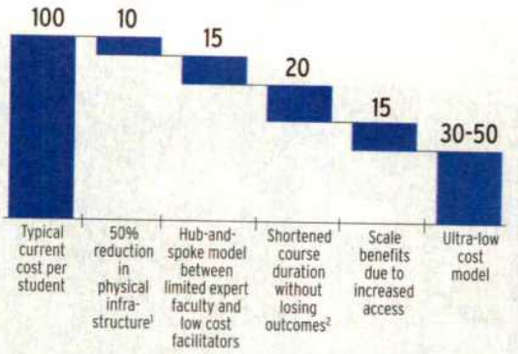
One, provide targeted support to providers, based on "skill type", to ensure sustainable IRRs even in the more difficult skill groups. This support could include access to existing infrastructure at lower rates, very limited upfront grants, soft loans, loan guarantees and tax breaks.

Two, establish well-defined voucher and educational loan schemes for trainees, for use across a range of accredited private institutes.

Three, run special efforts to foster skill development and bring in private providers even in the "third" category of largely informal sectors and skill groups, such as housemaids, drivers, plumbers etc. The government's focus here should be on creating intermediaries or "virtual organised employers," potentially by enhancing the current employment exchanges significantly, building awareness among retail employers about gauging skill levels in these sectors, and, in the long run, tracking individual skill levels through mechanisms such as smart cards.

Cutting Costs

Using a range of innovations, ultra-low cost models can operate at 30-50 per cent of current costs.



[1]Taken in the form of depreciation to convert to "per student cost"
[2] Through standardisation, technology based delivery and focus on the most important elements
Source: McKinsey analysis

Low cost models of employability training can significantly improve prospects for both the provider and the trainee.

Four, create a world class labour market information system tightly linked to the employment exchanges of the government. This will play a key role in providing all stakeholders—trainees, providers and employers—with relevant information: location and needs of trainee groups, location and needs of employers, providers and their track record.

Five, establish a robust qualifications and accreditation framework that is managed by an independent nodal body. This nodal body should be at arms length from all delivery entities in the government and should have both an integrated qualifications framework and outcome-based metrics to regularly assess providers. This arrangement will provide private players with the flexibility to establish standards based on market needs, while allowing the accreditation framework to be used for providing government support either directly or through student vouchers and loans.

For example, New Zealand's Quality Control Association assesses both providers and trainees using a quality assurance framework, including 18,000 competency-based standards developed along with industry associations. UK, Brazil, Switzerland and Australia have independent coordinating bodies with a key role in quality assurance.

Six, invest significantly in central faculty development. Quality faculty are in short supply and expensive; filling in this gap will benefit businesses immensely. A government-sponsored faculty development engine should be created in public-private partnership mode, well-aligned with priority sectors, focussed on both generic training ability and skill-specific add-ons, and with a tiered approach to developing expert versus generalist faculty.

Seven, make vocational education and training more "mainstream" by deepening and formalising tracks with clear linkages to secondary and tertiary education and allowing students more flexibility to enter and exit vocational and academic tracks. For example, in Germany, Denmark and Switzerland, vocational education is a formal track with well-defined models for movement across upper secondary and vocational education.

Skill development has the potential to lift large parts of our population out of poverty and also make India a global factory for skilled manpower. Interestingly, in addition to being a national priority, it also presents an opportunity for private participation by business houses and entrepreneurs. Targeted government support can significantly accelerate the game. ⊙

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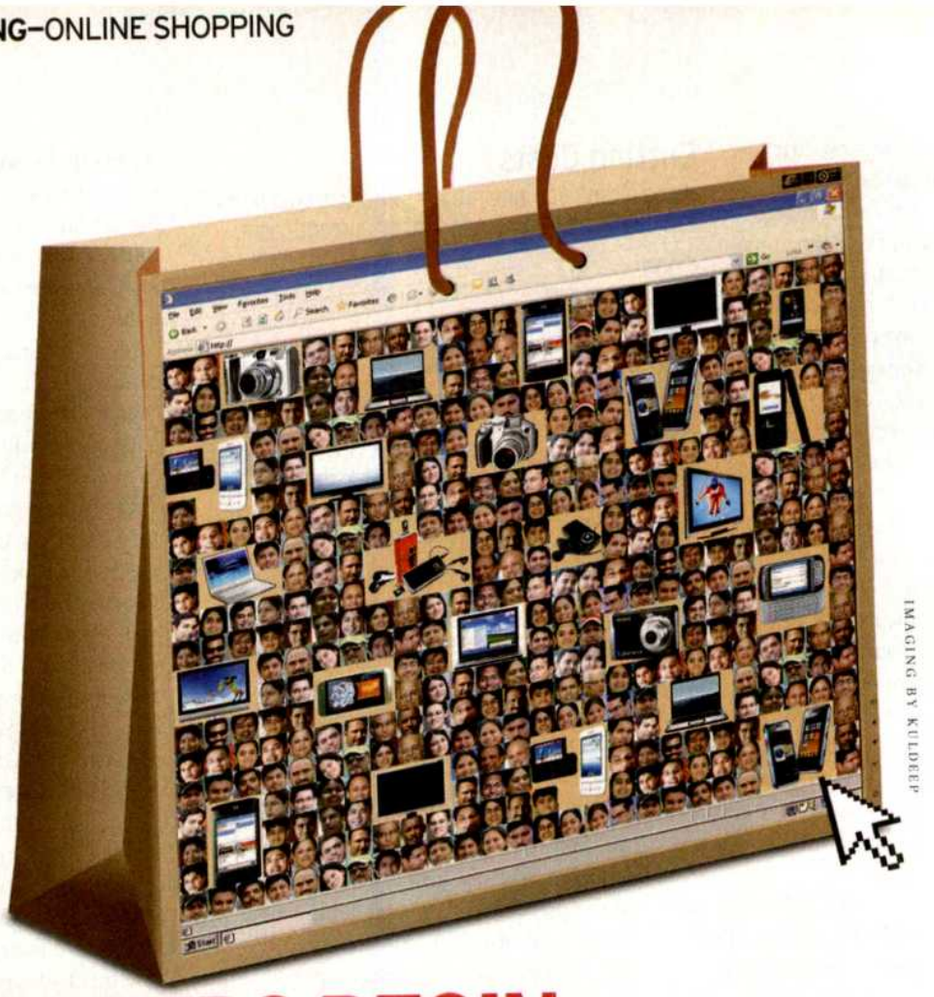


IMAGING BY KULDEEP

SHOPPERS BEGIN HUNTING IN GROUPS

Online group shopping is fast emerging as a new way to get bargains, as a number of portals test the model. MANU KAUSHIK

In October 2008, Hari Krishna Aculeti, a Hyderabad-based software engineer, shifted jobs from Infosys Technologies to Polaris Software. It was a career jump for the 29-year-old with much better prospects and a higher pay. But, at his new workplace, Aculeti, a gizmo shopaholic, missed the opportunity to purchase gadgets at sharply discounted rates that he enjoyed at Infosys, where various brands used to offer group buying schemes.

That's why he was exhilarated when he discovered buytheprice.com in January this year through a friend. The portal brings together demand of users at a pan-India level, fetching discounts on branded products. Aculeti immediately picked up a Micromax mobile phone for Rs 3,400, or 15 per cent less than the market price, thanks to nine others who bought it on the portal. He then referred it to another friend, who also saved a cool Rs 2,500 on a laptop.

Welcome to a whole new paradigm for online shopping in India. In 2010, a rash of group-buying portals has emerged, selling everything—from services like travel, restaurants, movies, clubs and fitness centres to gadgets and consumer durables like LCD TVs, microwave ovens, air conditioners, refrigerators and washing machines. Already, there are about nine such portals in the country. Typically, these portals negotiate discounted rates with businesses—which can be a local merchant or a national brand—assuring them of bulk buyers. This essentially means that you, the

Mydala.com

FOUNDERS: **Arjun Basu** (38), **Anisha Singh** (33), **Ashish Bhatnagar** (33)
TIME OF LAUNCH: December 2009
INITIAL INVESTMENT: Over Rs 2 crore
TRANSACTIONS MADE SO FAR: 5,500 (till April 20)
EXPECTS TO BREAKEVEN BY: October 2011

"We are charging 100 per cent amount through our portal... (Our) portal has a success rate of 97 per cent"

Anisha Singh, middle, with co-founders

SHEKHAR GHOSH/www.indiatodayimages.com

consumer, can walk away with generous discounts ranging from 20-85 per cent. Yes, 85 per cent! A spa package priced at Rs 1,000 was available at Rs 149 at Bandra, Mumbai's Bamboo Tree All Day Spaa in May with the 'tipping point', an industry reference to the minimum number of buyers for a transaction to get done, set at 25 buyers. The deal attracted 343 buyers.

The majority of group buying sites is scaling up its presence across the metros tying up with local services businesses such as leisure package providers or, even, restaurants. And many are now fanning out into the Tier-II and III towns. Take Delhi-based SnapDeal.com, which was launched in February 2010. It has a presence in seven cities (Bangalore, Chennai, Chandigarh, Delhi/NCR, Hyderabad, Mumbai and Pune). It plans to expand to 25 cities by the end of the year. "Tier-II and III towns are big markets for us. We have tie-ups with over 5,000 retailers across the country and are constantly increasing our network," says Kunal Bahl, co-founder, SnapDeal.com. The portal will invest up to Rs 15 crore in two years in brand building and geographic expansion.

But why has online group buying seen a sudden surge in entrepreneurial interest in India? In large measure, it's a consequence of the success of the model in the US, Europe and China with a growing tribe of price-conscious consumers hopping on to the bandwagon. Here's a straw in the wind. Groupon, the biggest group-buying portal in the US, is the only start-up (apart from YouTube), which is valued at over $1billion (in April, Groupon raised $135 million by selling 10 per cent stake) by investors in just 16 months from its launch.

Explains Ranjith Boyanapalli, co-founder, Buytheprice.com: "After the accelerated growth of group buying start-ups in the US, many tech entrepreneurs have tried to replicate the US models." The global experience, perhaps, explains why angel and VC investors have willingly funded most of these group buying portals.

Then, higher Internet penetration coupled with poor penetration of organised retail seems to have created a big market. Says Boyanapalli: "Online retail has increased by around 30 per cent last year alone. There is immense potential in non-travel online shopping space in future." Adds Bahl of SnapDeal: "Merchants are willing to give such aggressive discounts as they are essentially passing the cost of customer acquisition to the consumer in the form of a discount." His company expects revenues of Rs 4.5 crore by March 2011.

The idea of group buying appears to be a win-win business proposition for both retailers and websites. The portals make money by keeping a cut of the revenue, which ranges from 10-40

HOW IT WORKS

FOR PORTALS

The portals tie up with brands/service providers.

- Offer products and services at significant discounts to the MRP.
- A new deal is offered everyday, and lasts for 24-48 hours.
- Every deal requires a minimum number of buyers to go through.
- The portals take a cut of 15-40 per cent on every transaction.
- Logistics (product delivery and services) is the responsibility of the manufacturer/merchant.

FOR CONSUMERS

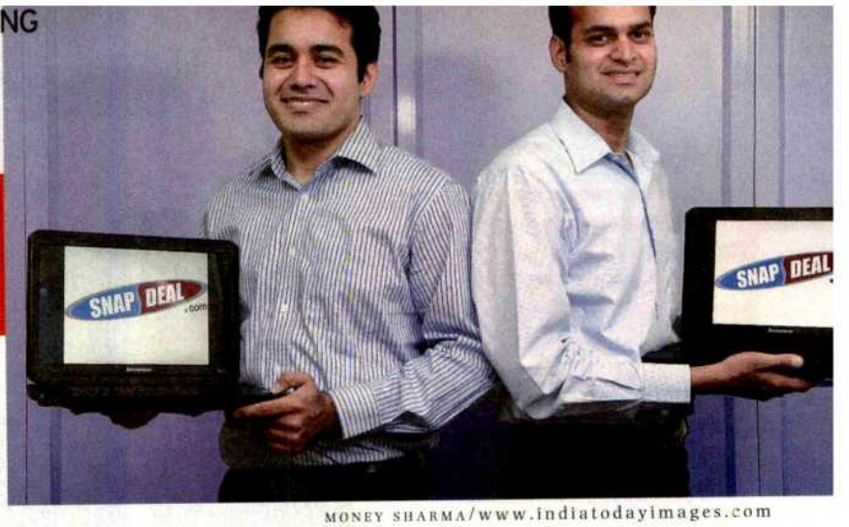
- You can go to a site and check the products/services on offer.
- You can get information on the MRP and the discount (from 20-85 per cent).
- Initial payment can be partial for services (restaurants, movies, travel, clubs, fitness centres).
- For products, the entire payment has to be made upfront.
- Payments are made through credit cards, debit cards, net banking.
- Goods are mostly delivered free, through couriers or the post.

SnapDeal.com

FOUNDERS: **Kunal Bahl** (27), **Rohit Bansal** (27)
TIME OF LAUNCH: February 2010
INITIAL INVESTMENT: Rs 1.5 crore
TRANSACTIONS MADE SO FAR: 10,000
EXPECTS TO BREAKEVEN BY: August 2011

"Higher Internet penetration coupled with poor presence of organised retail and entertainment avenues creates a big market to serve"

Kunal Bahl, left, with co-founder Bansal



MONEY SHARMA/www.indiatodayimages.com

per cent depending upon the brands or services involved (less in case of national brands) and negotiation power. "We are charging 100 per cent amount through our portal. There are many players who are taking partial amount upfront, leaving a big chance of customers not actually turning up to the retailers. In such cases, your negotiation power with retailers takes a hit," says Anisha Singh, co-founder, Mydala.com, adding that the portal has a success rate of 97 per cent—that is, only 3 in 100 deals do not touch the tipping point.

The rapid growth in the space is evident from the strong traction on both sales and subscriber addition by most leading portals. Within two months of its launch, Wanamo.com has acquired over one lakh subscribers. "We are seeing brisk growth in this new segment, which we call entertainment commerce/push commerce (in place of plain Jane e-commerce)," says Sampad Swain, co-founder, Wanamo.com. SnapDeal has a subscriber base of 2.5 lakh since February and is adding a subscriber every 40 seconds. Mydala.com has been able to offer its 10,000 unique visitors daily unusual deals: In February, it offered a three-days, two-nights camping holiday near Dehradun from Zice Holidays, marking down the rack rate of Rs 5,000 a person to Rs 1,300. In just four hours, the deal touched tipping point and eventually sold 124 vouchers.

Local deals drive the majority of growth for group buying portals—the most popular deals tend to be restaurants and services-related activities. But national, and even global brands, are gradually waking up to the potential of the medium, particularly consumer durable and FMCG companies. Take the example of buytheprice.com, which has already inked deals with 25 mega brands such as Nokia, Videocon, LG and Nikon. Says Yashovardhan Verma, COO, LG Electronics India: "Right now, e-commerce is a small part of our total sales. However, the share of e-commerce as well as those of group-buying portals is expected to grow significantly. In the next 5-6 years, e-commerce would account for 10-12 per cent of our revenues."

Yashovardhan Verma, COO, LG Electronics India

"Right now, e-commerce is a small part of our total sales. However, its share as well as those of group-buying portals is expected to grow significantly..."

Online group buying first surfaced in India in the late 1990s, but failed to take off because of tardy consumer response. Experts believe that things might be different this time. "The availability of various online social networks such as Facebook, Twitter, Orkut, MySpace, YouTube and Google enables users to share the offers with their friends or followers. As consumers have personal incentives to refer their friends to join in a given deal, the viral effects of social media platforms are very well used by these portals," says Gaurav Mishra, CEO, 2020 Social, a social media research and strategy company.

While it's still a fledgling industry, the market already appears overcrowded with a large number of city-specific players. And therein lies the rub. E-commerce in India has still not been a big success, with consumers reluctant to pay online due to safety concerns. With most portals unlikely to break even in the short term, only 2-3 large portals will survive and rest of them either get acquired by the large ones or just shut shop. ⊙

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Skilling the Unskilled

Truck major Ashok Leyland's new factory credo attempts to overcome the unemployment-unemployability paradox. N. MADHAVAN

● *Six months ago, Kailash Singh, 20, a native of Payyan in Bageshwar district of Uttarakhand, was working as a waiter at a hotel in Almora having somehow completed his senior school (10+2). Today, he handles a piece of equipment worth Rs 5 crore that machines front axle beams at the new manufacturing unit of truck and bus maker Ashok Leyland Ltd (ALL) at Pantnagar in Uttarakhand.*

● *Twenty-year-old Rashmi Pilakwal's world came crashing down when her father, a small-time farmer in Kaparkhan in Almora district of Uttarakhand, died in 2009. Her family, including her mother, two sisters and a brother, was in deep financial distress. Not anymore. Pilakwal, a 12th class graduate, sends home Rs 3,000 a month from the stipend of Rs 5,500 she earns at ALL.*

● *Similarly, Mamta Rawat, 20, a Commerce graduate and a native of Ranikhet, supplements her single mother's earnings as a teacher, while Mamta Joshi, 23, married and a graduate belonging to Almora town, supports her husband's family of 10 with her income.*

While Singh, Pilakwal and Joshi want to become automobile engineers, Rawat is keen on becoming a management professional. They and 200 others are beneficiaries of a new experiment at ALL's Pantnagar facility that seeks to bridge the divide between unemployment and unemployability and address Indian industry's serious bugbear—lack of skilled labour, especially in the backward districts of the country.

The Gap

State governments offer attractive incentives to draw industries to backward areas to spur their economies. But these incentives come with a condition—a certain percentage (normally 70 per cent) of the employees should be locals. This criterion has proved to be a major problem for the industry—not because they don't want to employ locals, but because of lack of talent in such areas.

Take the case of Uttarakhand: Only three to four per cent of students

PHOTOGRAPHS BY SHEKHAR GHOSH/www.indiatodayimages.com

Earn while you learn: (Above L to R) Mamta Rawat, Mamta Joshi, Rashmi Pilakwal and Kailash Singh at the shop floor, and (left inset) in the classroom

completing school (10+2) have mathematics as a subject. Also, there are very few technical diploma holders and engineers to meet the needs of industries that have rushed to set up modern manufacturing facilities at places such as Pantnagar. Over time, a paradoxical situation has come to exist—massive unemployment on one hand and acute scarcity of skilled labour on the other. Most companies resort to contract workers to circumvent the government mandated norm.

ALL, which has set up a Rs 1,200-crore fully integrated manufacturing unit at Pantnagar for producing 50,000 trucks a year in the first phase and up to 75,000 units in the second phase, decided to try something different. It opted to convert this challenge into an opportunity for implementing its bold new strategy of setting up an integrated workforce while taking head-on the issue of demand-supply gap in skilled labour.

The idea of an integrated workforce has been occupying the minds of ALL's top management ever since various human resource (HR) surveys revealed that, unlike the

executives, the shop floor workers, though well committed in their work, do not buy in 100 per cent the company's vision. Mindset, it was learnt, was the major reason. Shop floor employees felt inferior to the executives as they typically had lesser education and growth opportunities compared to the executives. Once a workman, always a workman was their grouse. Separate canteens, different uniforms, etc., only reinforced their inferiority complex. "Mission YES—a movement started to empower young executives in ALL—went into the problem and recommended that we work towards an integrated workforce where there will be no master-servant relationship and all employees, including shop floor workers, enjoy common facilities. More importantly, shop floor workers will have the same opportunities to learn and grow within the organisation as the executives have," says Shekhar Arora, Executive Director (Human Resource), ALL. The management accepted the recommendation and decided to implement it at Uttarakhand facility as it is a new factory without any legacy issues.

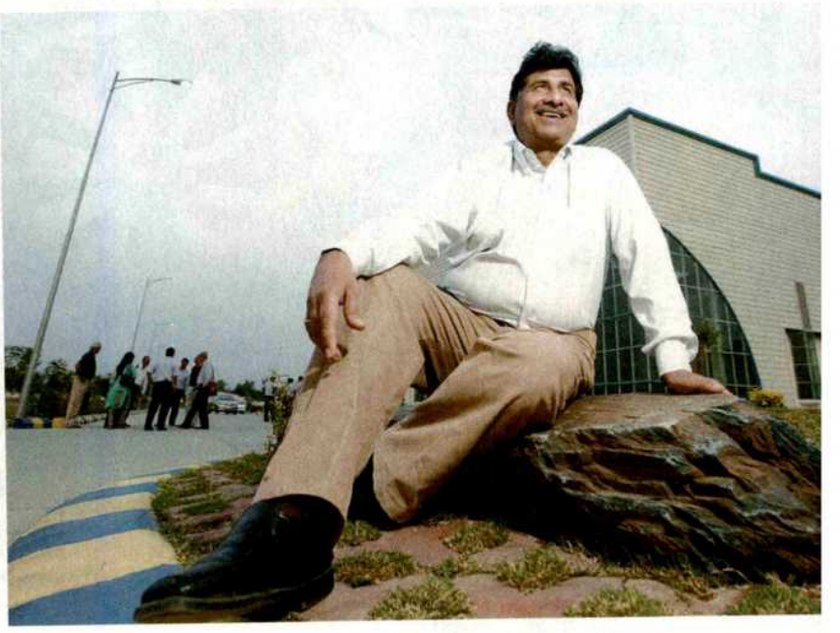
Bridging the Divide

Once that decision was made, it gave ALL the flexibility in handling the gap between the skills required by the industry and the actual available skill base. It launched a programme called BLESSING—Building Leaders of Excellence for Social Sustainability through Inspiring & Nurturing Gennext. "The objective of the programme is to enhance the prospects of sons of the soil by empowering them with attitude, skills and knowledge which would qualify them both academically and with hands-on skills to become practising executives and to grow to positions of higher responsibilities in future," explains Arora.

To translate this vision into reality, ALL signed an MOU with NTTF (formerly Nettur Technical Training Foundation)—a premier technical training institution—to offer a four-year certificate programme leading to a Diploma in Manufacturing. The programme works like this: NTTF identifies students for the programme from within Uttarakhand through written tests and interviews. Candidates have to be 18-25 years of age, have a Class 10 or 12 certificate or a diploma from an Industrial Training Institute, with at least 50 per cent marks. Once selected, they undergo the four-year diploma course at NTTF's educational centre at Pantnagar located inside ALL's premises. During the course, they attend classes for a day and then work for five days every week at ALL's shop floor practically experiencing what they have learnt in the classroom.

The curriculum has been designed to develop the necessary knowledge and skill base for handling contemporary manufacturing processes such as Lean Manufacturing, TPM, Six Sigma, Supply Chain Management, Kaizen and Kanban. Another external agency, Centre for Excellence in Organisation, has been entrusted with the responsibility of evaluating the progress of the students, which involves putting what they learn in the class room to practical use on the shop floor.

Not only that. The students are paid a stipend by NTTF (out of the grant given by ALL) during this period (70 per cent of prescribed minimum wages in the first year, the minimum wages in the second year and 10 per cent higher than applicable minimum wages in the third and the fourth year). That apart, NTTF also



"We have not entered into any deal with the students. They are free to work for any industry. We see this more as a CSR initiative"

SHEKHAR ARORA, EXECUTIVE DIRECTOR (HR), ASHOK LEYLAND

provides them with medical and accident insurance cover. "Our idea is to enable the students to earn as they learn. ALL, on its part, offers canteen and transport facilities," says Arora. On successfully completing the four-year course, NTTF awards the students a diploma.

"Currently, 200 students are part of this initiative. We will progressively increase their strength to 1,000 by March 2011," says Alok Kumar Gupta, ALL's plant head at Pantnagar. He is happy with the experiment. "I never thought that 10+2 students will have such a fast learning curve. These people have not even seen an industry before. The first batch has completed over two months on the shop floor. We began commercial production of trucks at this facility on March 25 and have so far rolled out 600 vehicles," adds Gupta.

The man incharge of the class room training, P. Srinivasa Rao, Manager (Training), NTTF, agrees. "They show a lot of enthusiasm and zeal. They come from poor families and have a hunger to learn, come up in life and improve their social status," he says. The students are excelling in cultural construct, too. "We help them develop a new culture when it comes to self management, empowerment, discreet decision making, customer responsiveness and multitasking. They are doing extremely well to understand these concepts. Opportunities for a fast track growth are wide open for them," says S. Denadayalan, Head, Centre for Excellence in Organisation. This is a clear proof that unskilled people in backward areas, when given a chance, can excel, too, adds Arora.

Social Responsibility

While many organisations resort to such training to improve the skills of their employees, ALL's initiative has many unique features. First, the people who are trained are not employees of ALL. They are students of NTTF. Secondly, the students get theoretical and practical training simultaneously and finally, the students—on completion of their diploma—are free to work wherever they want. "We have not entered into any deal with the students. They are free to work for any industry. We see this more as a corporate social responsibility (CSR) initiative rather than in-house training. Of course, we will give them preference and be more than happy to absorb them if they choose to work in ALL," explains Arora. ALL will take them on the rolls not as shop floor workers, but as executives with equal opportunities for growth. "They can even become the Managing Director of the company," he adds. Pantnagar facility, in line with the integrated workforce concept, will have no shop floor workers at all! The facility complies with the laws of the land, be it Labour Laws for its employees or the Factories Act.

ALL is spending Rs 12,000 per student. This includes the one-time grant given to NTTF, administrative cost, wastage, loss of volume, cost of classroom and training infrastructure. "We could have got workers at a pay half that money but as I said, this is a CSR initiative for us," chips in Arora. ALL now wants to introduce this programme in its other plants, too.

BLESSING has many advantages. The industry gets factory-ready labour with expertise in modern manufacturing practices. The students graduating from schools and colleges, especially those from below the poverty line, get to overcome a Catch 22 situation—they need to work to gain experience, but they need experience to get work. Moreover, they earn while they learn, thus financially supporting their families. NTTF normally charges Rs 2,800 per month for a similar course. The economy also benefits as poor people from backward regions not only get employed, but move up in terms of status. This leads to a more equitable development. It also eases migration into cities/towns, which are already collapsing under the weight of massive influx of people in search of jobs.

Understandably, the Uttarakhand government is very impressed with the scheme. "This is a great model for bridging disparities and employing rural youth. We are trying to implement it in other industries especially the hotel sector," says Rajesh Naithani, Special Advisor to Chief Minister Ramesh Pokhriyal Nishank and the point person for expanding BLESSING across the state.

But there are challenges, too. Says Arora: "As the programme expands, getting quality students will become difficult. Also, once the students complete their four-year diploma, ALL becomes a fertile poaching ground to tap this highly skilled labour. We need to have the best working environment to retain a good chunk of them. We are working towards it," adds Arora. ⊙

ALL'S BLESSING(S)

- Offers the industry 'plug and play' labour with knowledge of modern manufacturing practices.
- Solves a Catch 22 situation—you need a job to gain experience but you need experience to get a job.
- Helps overcome the unemployability-unemployment paradox.
- The students get to earn while they learn. Great for families below the poverty line.
- Enables employment of rural youth and brings about equitable economic development.

TIME TO CHEER AND BRING ON THE BEER

Business plans and spreadsheets could well take a back seat at many multinational corporations as thousands of expat executives root for their respective teams in the football World Cup.

DHIMAN CHATTOPADHYAY WITH ANAMIKA BUTALIA

RACHIT GOSWAMI

"When I set up my first restaurant, I designed a wall especially dedicated to our football players"

Don Giovanni (seated), Owner of Italian restaurant chain Don Giovanni, in Mumbai

Sanne Emborg, GM at Courtyard by Marriott Mumbai, says she will wear only bright red and make sure there's enough Tuborg, Carlsberg and Danish Schnapps to go around for her friends.

Allez La France" shouts Jean-Michel Casse, trying to look less like a senior executive and more like a footballer as he dons the French national jersey and shows us his soccer skills. The 37-year-old French national, Senior Vice President (Operations) with the Accor Group in India, says while he hopes his firm's bottom line keeps growing over the next one month, he is certain of one thing: His own waistline will grow a few inches by the end of June! The reason? Casse has plans to down umpteen glasses of wine, cheese and steaks as he and his band of friends (all French expats in Delhi) thump tables and do impromptu war dances every time Nicolas Anelka finds the back of the net in the FIFA World Cup—hopefully, on day one, June 11, at Cape Town in South Africa.

At about the same time as the excited Frenchman was telling us about the superior quality of wine and cheese they serve at a place called "The Hub" (the pub at Ibis, Gurgaon), a few hundred miles away in Mumbai, British national Andrew Holland was ensuring he had packed the English team's jersey into his suitcase. Holland, CEO of Ambit Capital, an investment management firm, is flying to South Africa to ensure Wayne Rooney, Frank Lampard and gang have an extra voice to cheer them on the field. "I will be there for two weeks, hoping England makes it to the semis at least. My wife (who is Indian) will join me after a week and, apart from a lot of shouting and cheering over several pints of beer, we also plan to do some serious wine tasting while there," says the effervescent Holland.

The FIFA World Cup will be one of the most-watched sporting events of the world, what with football easily the most popular global sport—Nielsen estimates the number of TV viewers for the game at 4.1 billion. Among those billions will be a chunk of the burgeoning expat population in India—estimated at a little over 80,000 at present and growing at 15 per cent annually, according to both a Citibank study in 2008-09 and a similar report by Delhi-based research firm Evalueserve.

So while Casse and his pals plan to create a shortage of wines in Delhi, Dinko Mehmedagic and his fellow Germans are sure beer shops in Pune will record the highest sales in four years this month. Mehmedagic, an avid footballer and a director at Deutsche Bank when he's not playing soccer, has it all planned out. "We will watch the matches at either Post 91 or Malaka Spice—(both up-market restaurants in the Koregaon Park area of Pune)." The German national has a truckload of friends in town and as he points out: "There is no shortage of Germans in Pune with over 200 German firms having offices here. So about a 100 of us plan to watch the matches together and drink ourselves to glory every time Germany wins. We just want to win the cup, that's all. Nothing more."

NISHIKANT GAMRE

Mehmedagic is sure Michael Ballack (the original captain of the side who has been ruled out due to injury) will be missed but then as he puts it: "Germans have never depended on one star. Our strength is our teamwork."

Holland, too, is backing England's skipper Rio Ferdinand and his men to bend it better than Beckham. And when he comes back to Mumbai, the Manchester United fan says he will head "straight to the Manchester United café in Mumbai's Palladium Mall where I plan to remain a permanent fixture during the matches. And yes, the beer will flow," he laughs.

Not everyone expects their team to win, though. Hotelier Mathew Cooper, for one, is fairly sure that Australia won't make it too far considering they have Germany in their group. "We are the cricket champs, even hockey champs. But soccer is not our strong point. However, I still plan to do full justice to any beer bottles put in front of me during the matches. A lot of us Aussies are going to head to the Emporio Mall in south Delhi where I believe there is a giant screen. All of us will be wearing the jersey and there will be plenty of flags flying as well. And win or lose, we will make sure there is plenty to eat and drink in true Aussie style," says Cooper, 36, General Manager of the Marriott in Gurgaon.

In fact, senior executives at international hotel chains across India have fancy plans to cheer their respective teams. Cooper's colleague Sanne Emborg, the sports-loving GM at Courtyard by Marriott Mumbai, says she will wear only bright red and drape herself in the Danish flag during match days while making sure there's enough Tuborg, Carlsberg (both Danish beers) and Danish Schnapps to go around for her friends. Ronald Nillson, the boss of the newly-launched Swissotel in Kolkata, plans to host barbeque parties at his home for Swiss and German friends and watch the matches at one of Kolkata's many night clubs.

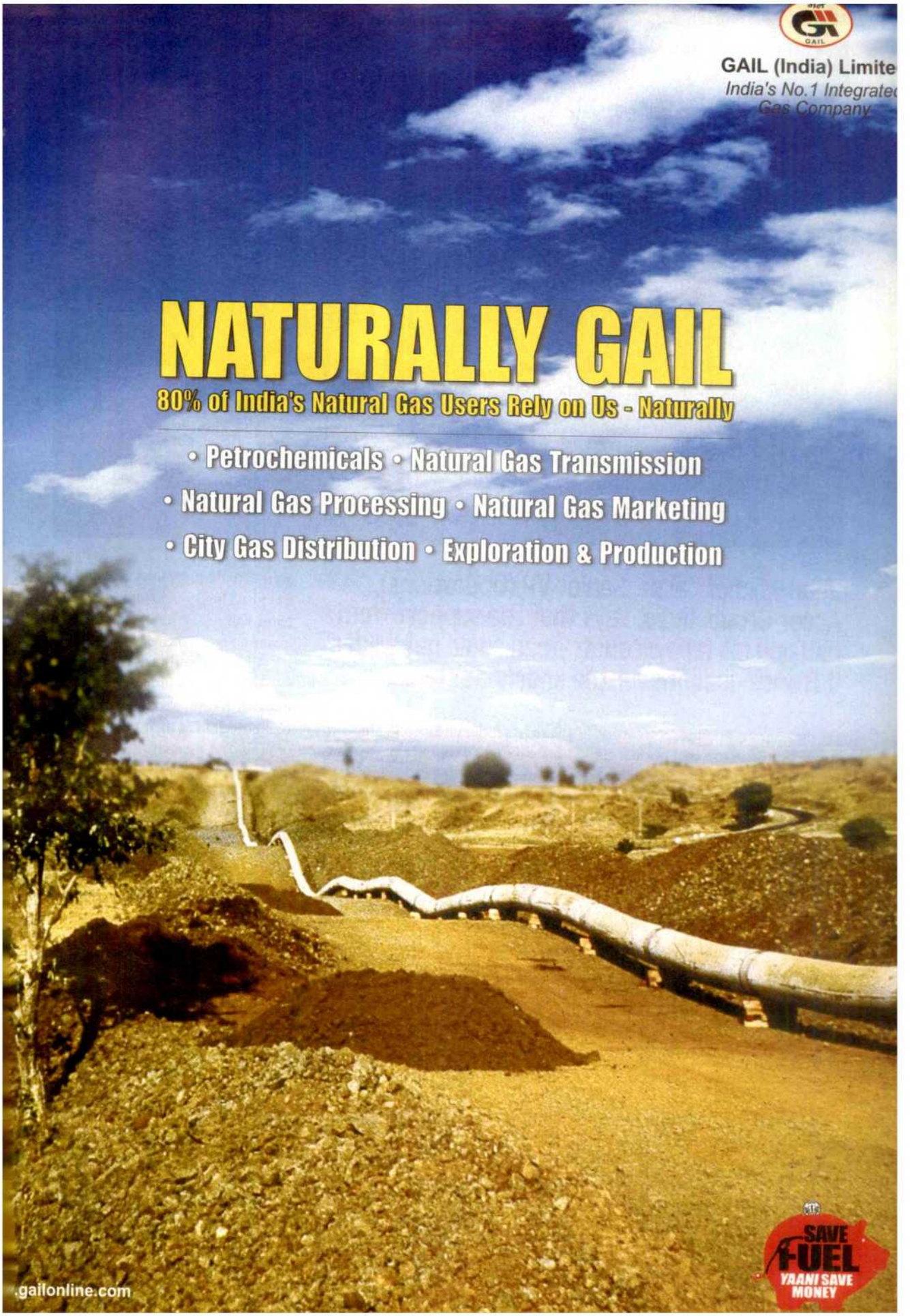
Not being favourites will also not deter New Zealander Greg Davey, Development Manager at Rugby India and a former All Blacks star, from doing summersaults every time his countrymen score a goal. "I know we would need a miracle to win this cup. But my energy levels are already skyrocketing. Don't blame me if my neighbours complain about my shouting, hooting and clapping during matches," says the Mumbai resident.

Fellow Mumbaikar Don Giovanni says one thing is for certain: He is too old to do summersaults. But, at 74, this passionate Azzurri fan is set to cheer for Italy all through June. "We

"There is no shortage of Germans in Pune. About a 100 of us plan to watch the matches together and drink ourselves to glory..."

Dinko Mehmedagic (third from Left), Director, Deutsche Bank

YUSUF KHAN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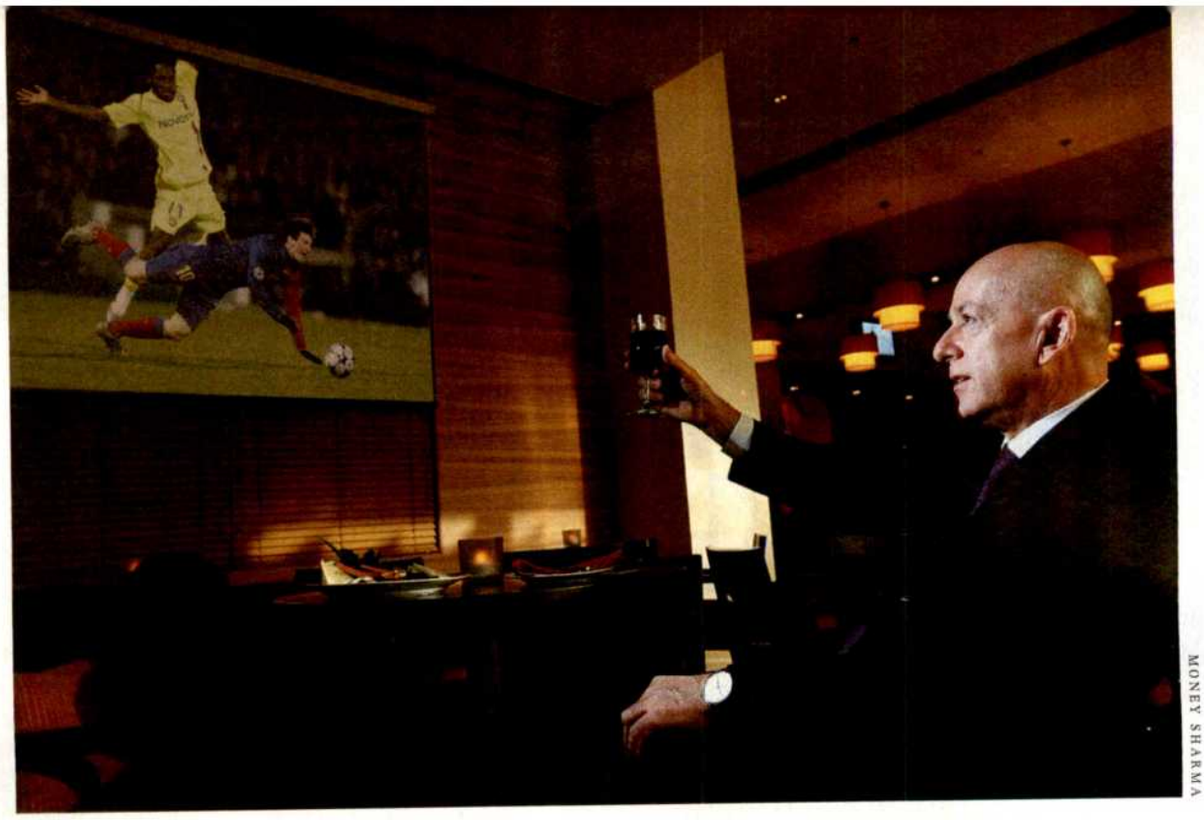

MONEY SHARMA

Jean-Michel Casse, Senior VP (Operations), Accor Group, India, says that the support from him and his fellow countrymen could get wilder if France qualifies for the knockout stages.

are the reigning champs so of course I expect the boys to win. I was a football player as a youngster. When I set up my first restaurant (he owns Don Giovanni, the Italian restaurant chain) I designed a wall especially dedicated to our football players," he recalls. However, having spent 25 years in India (he supports India in cricket matches) he says he will also clap for the team that plays the most attractive football. "I am a fair man," says the young-at-heart septuagenarian. Has he stocked up on the wine, we ask him. Don laughs. "I have cut down on my drinking in recent years. However, a few glasses of wine would be par for the course. Of course, in all my restaurants we will offer a 50 per cent discount on all alcoholic beverages on match days," he adds, with a twinkle in his eyes.

Even those who are not avid soccer fans, such as consumer electronics giant LG's India MD Moon B. Shin, are set for the world cup. "I hope we manage to sell more television sets than others in the run-up to the Cup but, on a personal level, I will be watching my country's matches as well as a few other matches that interest me. I am an avid golfer, but I am also a Korean and football is in my blood," says the 55-year-old. "When we watch the match we will make sure we have plenty of whisky in stock," says Shin.

Fellow Korean Donald Kwag, Vice President at STAR CJ Alive, (STAR's home shopping channel) is all geared up, too. "I'll be going to Seoul to watch the first match (on TV) against Greece. All of us will wear our red shirts to cheer the team. If we win a match, I plan to have two or three bottles of beer. And if we end up losing, I fear it will be closer to six bottles that night!" he says. And yes, every time South Korea wins a match—it's going to be an overnight party for Kwag and his friends. The 39-year-old hopes his team will repeat its 2002 performance and reach the last four.

All promise that if their teams reach the quarter finals, there will be more drinking, shouting and midnight revelries at their homes, hotels or pubs. As Casse says, "The support could become wilder if France qualifies for the knockout stages." And if France does make it to the last four, the diminutive Gaul says he might actually be in Cape Town to cheer his heroes. He's not the only one making travel plans. Dimple Gandhi, Director, Cutting Edge, the official travel partner for FIFA for the World Cup, says: "I would say between 800 and 1,000 people are flying out to South Africa (from India) specifically for the World Cup. Out of these roughly 50 per cent are expats. Football, unlike cricket, is not a religion to most Indians, but to the British, French or German expats it is indeed the most important sport." For cricket-crazy India however, the motto during the World Cup could well be: this World Cup, do as the Englishmen, Brazilians and football fanatics from 30 other countries do. ⊙

VAS Job Market Set to Accelerate

Companies in value-added services sector up the hiring ante.

Around 200 young engineers at Comviva Technologies are on a steep learning curve. Their employer has enrolled them in a programme, Techmaster at NIIT, where they are sharpening their skills. The reason? Skills are not keeping pace with the growth in the market for value-added services (VAS) in mobile telephony.

"The industry is nascent and has niche talent needs. The market provides very few engineers. We hire talent and groom it," says Sandyp Bhattacharya, VP, HR, Comviva Technologies (earlier Bharti Telesoft).

The mobile VAS market in India is estimated to cross $10 billion (around Rs 46,000 crore at current rates) by 2013 from around $3.7 billion (Rs 17,000 crore) in 2009. Messaging, music and the Internet are its biggest drivers. The talent requirement is commensurate with growth in the industry.

Says Asim Handa, Managing Director, Futurestep India, a Korn/Ferry company, "The demand for talent is across levels. The sector is looking for talent with an understanding of both technology and business."

$10-Billion Opportunity in 3 Years?

Figures from 2010 onwards are projections
Source: Informa Research

HOT CORE SKILLS

- SS7—a set of telephone signalling protocols
- Open source framework Struts
- Programming language Java
- Java 2 Platform, Micro-edition
- Programming languages C, C++
- Network Protocols (TCP/IP)
- Database Skills like Oracle, MySQL
- Operating system experience on Linux and Solaris

The increased demand for VAS talent comes not just on the back of growth in India, but also other markets. For instance, Comviva's key markets are India and South Asia, West Asia and Africa. It also has teams serving customers in Europe and the US.

"The regional skill requirements emerge from customer as well as cultural needs of that region. These eventually decide the kind of products that would be needed by the (phone) operators," says Bhattacharya.

Comviva, which currently has 1,000 employees, is eyeing product expansion and growth into new markets.

While the basic skill sets for a career in VAS remain similar to that of application development, the programming language Java for value-added services is the most sought-after specialist skill. Exposure to critical technologies in the areas of mobile commerce, gaming, and integrated management of VAS products from various companies also finds willing takers.

And what can keep you ahead of the rest? Business acumen. You will have a headstart if you know how the mobile environment operates, have the ability to deploy solutions to improve the user experience and are able to discover new revenue-generating opportunities. ⊙

SAUMYA BHATTACHARYA

"The industry is nascent and has niche talent needs. The market provides very few engineers. We hire talent and groom it"

Sandyp Bhattacharya, VP, HR, Comviva Technologies

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Finance Manager
Location: Bangalore
Job ID: 8281058
Description: Oversee and maintain da day control of all accounting systems to en the complete and accurate posting of financial transactions etc.

Infotech Enterprises Limited
Design Chief - Aircraft Structures
Location: Hyderabad
Job ID: 8286235
Description: Candidate should possess minimum of 20+ years of experience in aircraft structure (metallic & composite) design.

Tech Mahindra Limited
Project Manager - Telecom domain & PMI
Location: Pune
Job ID: 8268235
Description: Expert knowledge of Tele Switch, Networks, Routers; Infrastru Management Services (IMS) background

Linde
Lead Engineer - Piping Layout
Location: Vododara
Job ID: 7825542
Description: BE (Mech/Chem) with min 10 yrs exp in Oil & Gas projects & having exp of leading projects. Exposure in piping layout & design, equipment layout, PDS, SPR.

EMC Corporation
Consultant Engineer / Architect
Location: Bangalore
Job ID: 8229919
Description: Hands-on exp. in softwar product engineering and a proven track r as an architect in a reputed world class pr R&D team.

Dishman Pharmaceuticals and Chemicals Limited
Head - Quality Assurance
Location: Ahmedabad
Job ID: 7913029
Description: M.Sc /Ph.d. with min. 18-25 yrs exp. in Quality Assurance from API / Bulk Drugs pharmaceutical company having knowledge of quality activities.

Symantec Corporation
Principal Software Engineer - Virtulizatio
Location: Pune
Job ID: 8290477
Description: Thorough understandi server virtualization technologies like VM ESX, VCB, VDDK APIs etc. Ex developing software solutions in C/C++

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Job ID: 8088864
Description: Must have exposure on SAP FI and should be able to join in short notice.

Virtusa Software Services Pvt Ltd
Abinitio Engineers
Location: Chennai
Job ID: 8291544
Description: Looking for Engineers with expertise and relevant work experience in Abinitio.

Religare Technova
Product Manager-Capital Markets
Location: Noida
Job ID: 8292229
Description: Person must have expertise in product development, product management, capital markets, trading & brokerage

Tesco India
Principal Technical Analyst
Location: Bangalore
Job ID: 7943863
Description: Person will be responsible for administration and maintenance of Autosys instances in UBS.

New Horizons India Ltd
Desktop Support Engineers
Location: Mangalore
Job ID: 8290888
Description: Excellent hardware and networking knowledge, good communication skills, trouble shooting and installations knowledge.

TIBCO Software
Sr. Java Developer
Location: Pune
Job ID: 8130086
Description: 5 years software product development exp. with a M.S. degree or 7 yrs with a B.S. degree. Min. 6 yrs exp. in building enterprise class scalable etc.

Conseco Data Services (India) Pvt Ltd
Designer
Location: Hyderabad
Job ID: 8142036
Description: Must have exp. with Contact Center Advisor (CCABE), CTI, CAFÉ Server, Business Process Designer, JAVA/J2EE (Servlet, JavaScript, JSP, HTML etc).

Informatica Corporation
IT Global Operations Manager
Location: Bangalore
Job ID: 8227032
Description: 9+ yrs exp. in Information technology delivery & support. At least 3 yrs exp. in managing team members & building a team etc.

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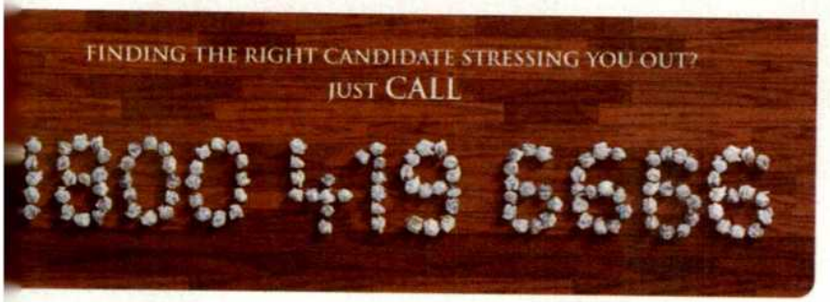

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ValueLabs
AVP - Sales
Location: Hyderabad
Job ID: 7780505
Description: The AVP Sales will play a k in our aggressive growth strategy a responsible for annual software se revenue in excess of $5 million.

Cisco Systems (India) Private Limited
Account Manager Sales
Location: Delhi, Mumbai
Job ID: 8190435
Description: Responsible for managing assigned key accounts, increasing account penetration, customer satisfaction and sales growth for long term results etc.

SBW Research and Development P Limited
Business Development Manager
Location: Gurgaon
Job ID: 8299032
Description: Required to convince d makers to attend seminars. Demonstra quality of our research. Encourage to c their own training curriculum.

Infomedia 18 Limited
Business Development Executive
Location: Hyderabad
Job ID: 8238998
Description: Role covers sale of print advertisements for business directories, achieving sales penetration/revenue targets for the directories etc.

NetApp
Sales Representative
Location: Bangalore
Job ID: 8299133
Description: Determining if the custom a valid need for NetApp products and se Respond to RFP's and follow up with cus etc.

India Mart
Marketing Executive
Location: Ahmedabad, Vadodara
Job ID: 8174743
Description: Develop new clientele for various web based business solutions offered by IndiaMART.com. Consultancy to exporters & manufacturers for business facilitation.

MacLellan Integrated Services India
Manager - Business Development
Location: Hyderabad, Pune
Job ID: 7683533
Description: MBA (Marketing) with Ele or Mechanical engineering backgrou 12yrs of hands-on exp. of concept sel different levels preferably in facility mgm

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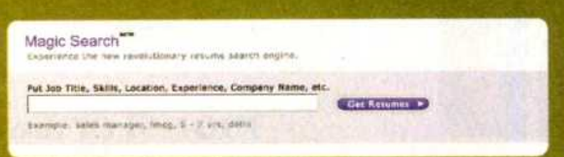

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Firstsource Solutions Limited
Sr Mgr - Finance(Business Analysis)
Location: Mumbai
Job ID: 8290128
Description: Financial performance management, business planning, budgets and forecasts, revenue management, pricing/commercial etc.

TalentPro
DY Manager Finance
Location: Chennai
Job ID: 8207355
Description: 1-2 yrs exp., must have completed CA. Preferred industry: Telecom industry is a must (even pre qualification experience is also considered).

Jindal Steel and Power Limited
Executive/ Assistant Manager - Finance
Location: Surat
Job ID: 8296444
Description: Managing entire F&A function of the company. Maintenance of day to day financial expenditures, receipts, MIS with head quarters etc.

Oracle
Controllers Group
Location: Bangalore
Job ID: 7658289
Description: Perform tasks to ensure that the financial statements of the countries are correct and they represent true view of the state of affairs.

Capgemini Business Services (India) Ltd
Team Leader - General Accounting
Location: Bangalore
Job ID: 8088510
Description: Experience in R2R (Record to Report) skills like intercompany, reconciliation, bank reconciliation, general accounting & month end closure activities etc.

SIEMENS
Executive - Commercial
Location: Goa
Job ID: 7599163
Description: Includes product cosing, MIS, financial accounting, audits, commercial activity of factory tracking of cost reduction proposals.

Deloitte
Finance Manager
Location: Hyderabad
Job ID: 8267538
Description: Basic knowledge of commercial real estate (i.e. familiarity with leases, financial statements, and Argus). Strong oral and written communication skills in English.

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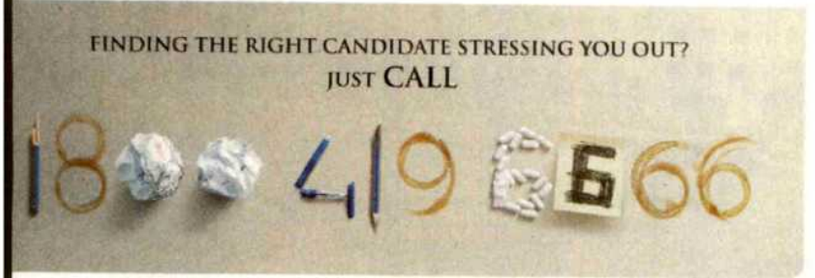

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Think Education - Think Paavai

Education, Progress and Quality

Pavai Varam Educational trust, founded by CA. N. V. Natarajan, a Chartered Accountant by profession, takes education to another level of sacredness by following the beliefs of the holy Mother of Pondycherry. "The three lines of education- Physical, Vital, Mental- deal with that which may be defined as the means of building up the personality, raising the individual out of amorphous subconscious mass, making it well defined self-conscious entitiy," says the mother, thus making it the paving step for the foundation.

The trust believes that the success of an institution depends on its ability to constantly inspire confidence from its teaching force and has been turning this into reality. Pavai Varam Educational Trust's strong foundation was laid by CA. N. V. Natarajan with the help of other trustees who all shared the reoccurring dream of quality education.

Paavai institutions are situated at Rasipuram, very popular for silk, ghee and lately for quality education. Paavai functions at the helm of the educational stratum of the town. Situated in a very quiet part of the town, the sprawling campus bustles with activities connected to education and progress. The institution has the most sincere minds working for it who make sure that education loses its intimidating front and becomes an art to be mastered. As the Paavai-ians are encouraged to hold the reins of destiny in their hands, they become masters of their own progress.

"Dedication, sincerity and continuing empathy of our teaching staff," feels Natarajan "has been the main reason for our students' emotional and intellectual success." True to word, the foundation has a horde of dedicated staff who put the education and the resulting success as their primary service in their lives. This very noble outlook to life has gone on to becoming thundering victory as all their young scholars go on to getting placed in respectable institutions.

Keeping in mind that by building nation, we build society and by building leaders we build the nation's economy, Paavai Trust has put all its efforts on building sound technical education for its students. It has further made sure that the youngsters find their hold in the society to prove their worth.

Natarajan thinks that a person with the highest level of knowledge, well disciplined by the educational system has the ability to become a very high profiled professional who has the ability to achieve the avowed objective set by Dr APJ Abdul Kalam.

Apart from the run of the mill education, Paavai trust has gone further in honing the students' mind. It places a major emphasis on continuous improvement of people not only academically but also in their leadership traits so that they are geared well to deliver their employer's objectives with good value. The trust also thinks that the well-being and the progress of a firm strongly depends on the employees' drive to take it to other realms of possibilities and success.

Paavai Trust owns and runs eleven educational institutions namely:

Paavai Engineering College,

Paavai College of Engineering,

Pavai College of Technology,

Paavaai Group of Institutions*

- **School of Engineering**
- **School of Management studies**

Paavai School of Management*

Pavai Arts and Science College for Women

Paavai Polytechnic College

Pavai Varam Polytechnic College

Paavai College of Education

Paavai Teacher Training Institute

Pavai Vidyashram - CBSE Public School

The Engineering college offers five different courses in Engineering studies, Electronics and Communication, Electrical and Electronics, Computer Science, Mechanical and Civil Engineering. For this academic year 2010 -11 B.E. in Automobile Engineering & Aeronautical Engineering are expected to come. The Trust also offers a collection of B. Tech Information Technology, MBA, MCA, M.E and Ph.D courses to its students. Apart from this B.Sc & M.Sc courses are also being conducted. The institution has left no space to constrain opportunities for its wards. It has subjects to satisfy every curious mind that walks into its premises and has the drive to reach the pinnacle in education.

The institution boasts of a well stacked library that houses more than 80,000 books, an online testing centre, 3000 computers with high speed internet connection, entrepreneur and management development cells, testing centres for men and women, high profile labs, serene atmosphere and 600 well-informed staff members. With such sophisticated amenities, it is well evident why the Trust maintains such a high record of placements and produces state rank toppers. Paavai also offers

National Board of Accreditation

Getting an NBA accreditation is like an audit for technical institution. It is necessary for students opting for higher studies as well as jobs abroad. Funds for the Technical Education Quality Improvement Plan are also given to only those institutes that have NBA accreditation; Paavai Educational Institutions have achieved this milestone to their credit.

*under inspection

scholarships to young minds that strive for education and physically challenged students.

"There can be no half measures when it comes to quality," emphasises Natarajan, resoundingly. "We spare no effort to inculcate these ideologies into our people. While it is they who make a difference, it is process and quality that adds the substance."

The Chairman, Shri CA.N.V.Natarajan holds it strongly that there can be no half measures in quality and this belief makes the difference in the process. Also when people are built, society benefits, and thereby the nation, bringing in a cutting edge of technology, and added value to life.

Shri CA.N.V.Natarajan
Chairman

PAAVAI EDUCATIONAL INSTITUTIONS

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Of Dodgers And RADICALS

Being too aggressive or conservative in your approach to investment is as bad as being a habitual procrastinator. Here's solution to suit your temperament. KAMYA JAISWAL

For investors, the latest correction in the Indian stock markets courtesy the global jitters over the financial troubles in the euro zone was an opportunity, a risk and a non-event—all at the same time. The outlook would have varied depending upon the investor's financial personality.

An ultra-aggressive investor, for instance, would have been thrilled to see the share prices come off their highs, giving him an excuse to enter the market or stock up on his favourite shares without evaluating risk and reward. On the other hand, the sharply correcting market would have heightened the risk perception of an ultra-conservative investor and further reinforced his notion of the market as a money gobbling monster. For the habitual procrastinator, like so many times in the past, there would always be a correction next time to take advantage of.

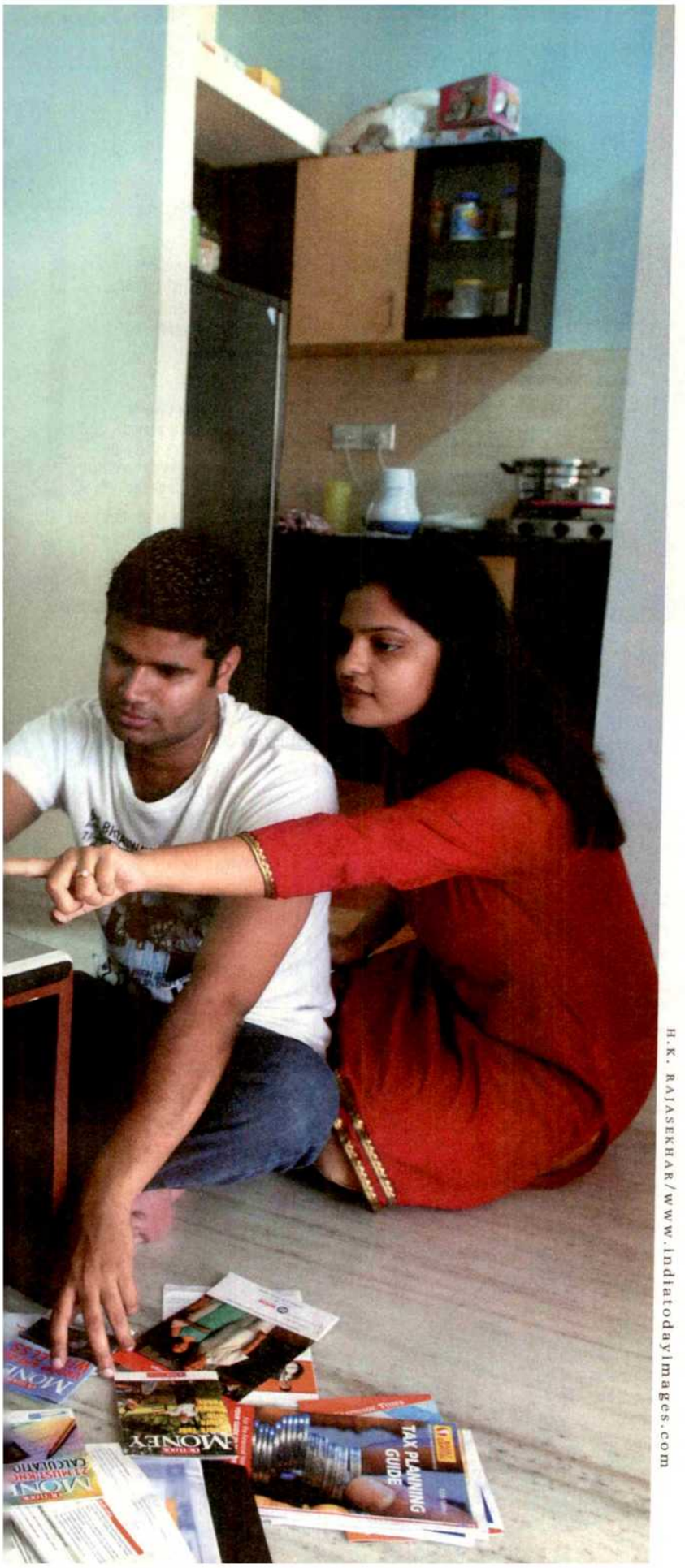
Needless to say, none of these responses would be considered appropriate and conducive to building wealth in the long run by financial planners.

By looking at the patterns of common mistakes made by investors, *Money Today* has formulated strategies for four financial personalities: spendthrifts, debt mongers, radicals and dodgers. We dealt with the first two personality types in the previous issue of this magazine *(Master Your Money, BT, June 13)*. Here, we take up the other two personalities: radicals and dodgers.

The Dodgers

Chennai-based Shanil Mohan, 29, doesn't have a financial plan. Why? He hasn't found the time to sit and crunch numbers. Like Mohan, everyone is prone to procrastination. An otherwise harmless indulgence, it becomes a problem when people keep things on hold for too long. In finance, this can prove very expensive.

Consider Mohan's case. His household cash flow, after including his wife's income, generates a surplus of Rs 43,000 a month. Of this, he socks away only Rs 12,500, while the balance sits in his bank account. The randomness of his investment strategy



H.K. RAJASEKHAR/www.indiatodayimages.com

Shanil Mohan, 29, with wife
CHENNAI

He has not made a financial plan because he procrastinates. Therefore, his investments are sporadic and the value of his portfolio is low.

OUR SUGGESTION

- Identify the steps for planning that only you can accomplish, such as, making a budget and fixing financial goals. Reward yourself on completing these tasks.
- Once this is done, automate your plan by using technology and taking the help of an adviser.
- Monitor equity investments to ensure they achieve target gains.

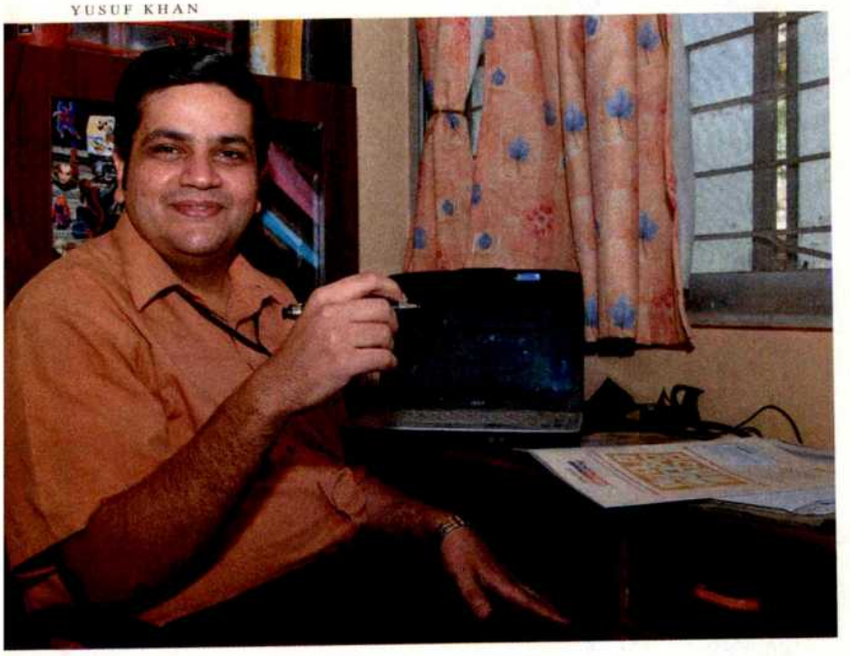
"I have not made a financial plan because I haven't identified my goals as yet. I am careless about it."

is evident in the couple's slim portfolio, which is about Rs 3 lakh in value. Had Mohan regularly invested just Rs 5,000 a month, in five years, the portfolio would have swelled by Rs 4.08 lakh (assuming a 12 per cent annualised growth).

Procrastinators pay a high price for evading monetary issues. To begin with, they do not make a budget, forget about following one. Minor bills are left unpaid, while the late fee piles up. They have no idea about their goals and save in spurts. As they are unable to discipline investments, any foray in direct equities is doomed. They postpone tasks to such an extent that they are forced to take last-minute decisions, with no time to scrutinise the fine print or conduct adequate research about a financial product. So there may be time bombs ticking away in their portfolios but they are blithely unaware of these.

If you are a dodger, the challenge is to make a plan that can be executed and maintained with minimum effort. Also, the plan must help catch up

YUSUF KHAN



Mukul Machave, 34
PUNE

He is scared to take risk and has invested mostly in debt instruments. This has slowed the growth of his portfolio and he has not built a sizeable portfolio yet.

OUR SUGGESTION

- The decision to opt for SIPs worth Rs 9,000 in mutual funds is a good start. Initially, stick to funds that offer a balance of debt and equity or ones that spread investments across all sectors.
- You must increase savings in equities to achieve the twin goals of building a corpus for your child's education and your retirement corpus.

"I did not invest in equities because my father had suffered heavy losses in the market. This made me wary."

with all the time lost due to your procrastination.

The first step is perhaps the biggest hurdle—budgeting. Collect all the bills from your department store, utilities and credit cards in a month (it is way easier than maintaining a diary). Consolidate all information under broad heads like groceries, household products, etc. and what you get is a monthly budget complete with actual expenses. Figuring out your surplus is just mental math, something the dodgers are good at.

Next comes the step Mohan dreads—identifying financial goals. Actually, this should be the easiest part because all you need to do is dream about yourself, say, 30 years later. Your goals are likely to be a house, corpus for children's education and a tension-free retirement. As dodgers cannot be bothered much with money, overspending or overleveraging is very rare. Once you discover your surplus and goals, all that is left to do is to invest the right amount in the right asset class.

To do this the easy way, trawl the Internet for investment calculators that tell you how much to invest to build a target corpus. There is a possibility of error ranging from 5-15 per cent, but the calculators give a reasonably good idea of how much to stow away.

Obviously, you can't be trusted to invest regularly, so let banks and brokerages do your job. Rajnish Kumar, Head, Product and Marketing, Fullerton Securities, suggests, "SIPs are a powerful tool for such investors. An even better option is to invest via value investment plans, which define a range of investment every month. For example, you could give instructions to a brokerage to invest between Rs 5,000-10,000 a month depending on market movements."

If you are a stocks buff, an option that requires minimum effort is investing in the model portfolios of brokerages. Two caveats: carry out thorough background checks before entrusting your money to a brokerage. Secondly, don't give it a

Slow to Win the Race

If you are too cautious and stick to debt investments, you have to pay more...

GOAL	TENURE (YEARS)X	TARGET CORPUS (RS)	Monthly Investment EQUITIES	DEBT
RETIREMENT	30	2 crore	5,723	13,420
OVERSEAS TOUR	10	15 lakh	6,521	8,199

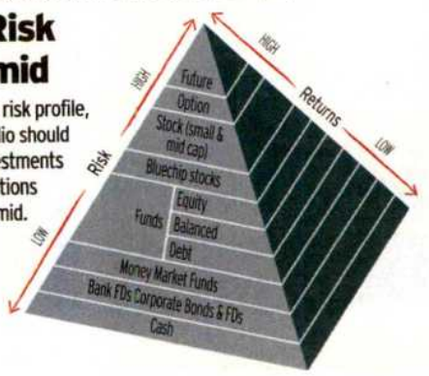
...or invest for a much longer period to achieve your goals.

GOAL	COST	INVESTMENT PER MONTH	Time Taken (Yrs) EQUITIES	DEBT
KIDS' EDUCATION	12 lakh	2,000	16.3	20.2
DOWN PAYMENT	15 lakh	3,000	15	18.4

Returns assumed at 8% for debt and 12% for equity

The Risk Pyramid

For an ideal risk profile, your portfolio should include investments from all sections of the pyramid.

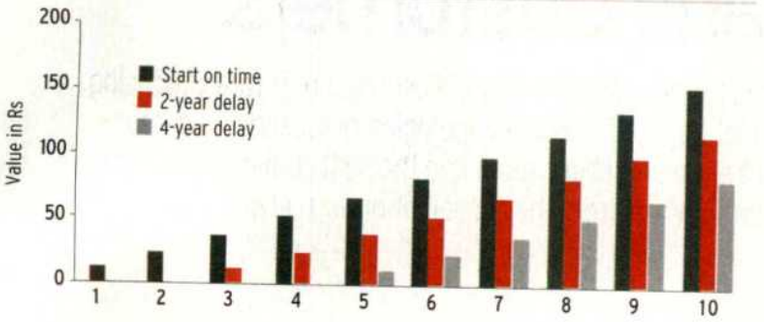


Cost of Delay

By postponing your investments, you lose out on precious time, which can add value to your corpus. Here's how:

SIP: **Rs 1,000** (for 10 years)

Corpus Value:	Rs 1.55 lakh	Rs 1.18 lakh	Rs 83,764
	If you start on time	2-year delay	4-year delay



GRAPHICS BY UTTAM SHARMA

completely free run and review the portfolio once in a while. It is your money, after all.

How about keeping some cash handy for exigencies? There is a shortcut for building an emergency fund too—park cash in sweep-in accounts. These accounts transfer the money that exceeds a pre-set limit into a fixed deposit. As a bonus, you will earn higher interest than from savings accounts.

Finally, take maximum help from technology. Set alarms to pay your bills on time. Use electronic transfers to pay the insurance premiums. Some software allows users to fix triggers for changes in scrip values, asset allocation, etc. These are a must-buy tool for dodgers. Roping in a financial adviser also makes sense. He can take care of the nitty-gritty, such as selection of financial products and reinvestment of dividends, which is beyond the scope of technology. Remember, the aim is to put your finances on autopilot. In this way you get a lot of time to procrastinate other things.

The Radicals

Mukul Machave is a 34-year-old doctor based in Pune. Theoretically, he is at the peak of his risk appetite. Yet, till last December, he had eschewed equities altogether to squirrel away Rs 5 lakh in ultra-safe fixed deposits and National Savings Certificates. "My father had suffered heavy losses in the market. This made me wary of equities," explains Machave. Psychologists believe that ultra-safe investors take cues from other people's bad experiences and shy away from risk. The problem is usually worsened by the lack of knowledge about the risk factors. Machave thinks along similar lines: "I am a conservative investor, but I am aware that with this approach I can't achieve my goals. So I have started learning about equities to overcome my hesitance."

Naresh Pachisia, Managing Director of SKP Securities, says: "Ultra-conservative investors are motivated by capital preservation. What they do not realise is that high inflation can lower the real returns of debt investments." This is why most conservative investors come up short in their long-term goals despite investing regularly *(See Slow to Win the Race)*.

If you are guilty of playing it too safe, experiment with small steps towards higher risk. Invest in instruments that combine equity and debt. Pachisia says balanced funds are a good option as they invest 35 per cent of the money in debt instruments and carry less risk than equity funds.

Index funds are also suitable for your risk profile. Your investment grows with the benchmark index. Besides, shift from traditional insurance policies like endowment plans to pure term plans and Ulips. Term plans offer protection at a very low cost, whereas Ulips combine cover with market investments.

In the final stage of risk evolution, move to hardcore market investments via diversified equity mutual funds. These funds are one of the safest ways to invest in the market.

At the other end of the risk scale are people who thrive on high volatility. Unmindful of risk, an ultra-aggressive investor will increase the stakes in the roulette till his luck lasts. Pachisia says that very little reins in such risk addiction. "I am not sure that they aim for wealth creation at all. They seem to seek only the excitement of making big bets on the market," he says.

Often, aggressive investors are forced to take debt to invest more and make up for previous losses. This is a blunder. It is only when they have lost all the money that reality sinks in. If avoiding high risk is impossible, at least invest in safe havens alongside. If you do not have the will power to voluntarily allot a part of your surplus to such investments, then take the automatic transfer route to put money in debt investments like fixed deposits. Or give some money every month to a family member or a friend who can invest in a safe instrument.

Also, make sure you have covered your dependants adequately. Opt for term plans so that there is no lure of returns. Similarly, buy health plans so that even if you have been bled white in the market, there is money to deal with emergencies.

Though they take extreme stands on risk, both conservative and aggressive investors have the same lesson to learn: a middle path to prosperity exists. time to procrastinate other things.

Courtesy: Money Today

'True Value is Created in the Interface Between Employees and Customers'

Giving employees the most preferred treatment isn't a new philosophy, but is rare. Practising it is rarer still than preaching it. Vineet Nayar, CEO, HCL Technologies, practised and demonstrated its transformational impact before preaching about it in the forthcoming book. Here, he talks of the story behind the book. Excerpts from the conversation with *BT* and the book.

PUBLISHER:
Harvard Business Press
PAGES: 198
PRICE: Rs 595

Why is it that not many service enterprises have gone down the employees-first path?

I believe that it is not true because South West Airlines was the first company to talk about this, and I think Starbucks too...I think the thought is different out here. Employee centricity has always been a common theme and people have built great businesses on employee centricity...

Let me step back a bit and look at why I actually wrote this book. When I look at my kids growing up, I get a sense that they have opinion and views about a lot of things in life, but not the resolve and determination to do something about it.

Now, when I look at them, I find the organisation structures of today fairly inadequate to welcome them. Because, on the one side, you go home, you tell them treat me as a friend...you have a collaborative culture in the family. But the moment we bring them into our organisation, we say you know you are going to compete with that person, and we are going to draw this super bell curve...top 10 per cent, bottom 15 per cent. And you know what is your manager's power? He can fire you or promote you!

The more I see them coming into our organisations, this factory model in IT services, I felt disturbed with the kind of organisation structures, the command and control, and the extensive powers CEOs and management have over the fate of these employees.

So the reason for writing this book has less to do with the CEOs wanting to change the way they work.... It's more to do with managers wanting to change the way they work... I think if the middle layer of our organisations changes, it is a much easier revolution to make than at the top management.

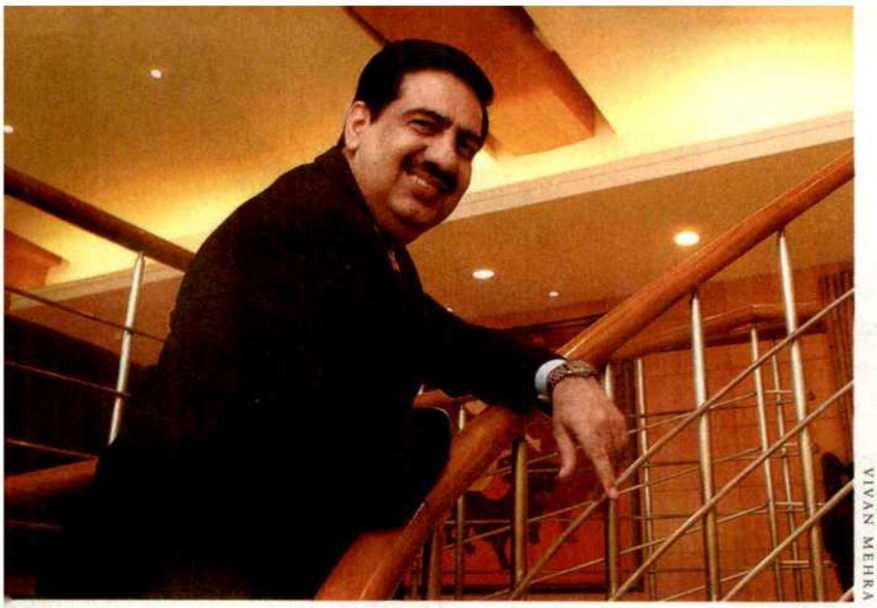
Like the bottom of the pyramid of C.K. Prahalad...it's a concept which was adopted first in America for credit card companies, for retailers, then it was adopted for emerging markets, and now I am adopting it for employees. I think the true value is the bottom of the pyramid.

So why haven't more companies adopted it?

Most of us are, rightly or wrongly, fascinated with what we do —new ideas, new products, new look, new segments, new markets. Somewhere, the "how" we run our companies was delegated to this department called HR. But if you look at the oldest form of an institution, which is the army, there was no HR department. It was the commander who would make his people do crazy things.

When we built organisations in-

"The reason for writing this book has less to do with the CEOs wanting to change the way they work.... It's more to do with managers wanting to change the way they work"



VIVAN MEHRA

Nayar: Institutionalise the motivation of the troops

stitutionalised like the army, we adopted the hierarchy, we adopted the command and control, but we did not institutionalise the motivation of the troops.

I think somewhere we lost this whole trick that the true value is actually created in the interface between the employees and the customers, where you cross your swords.

If you were to describe some elements of what the culture of HCL Tech was before this transformation took place and now...

I think it is less to do with HCL Tech, it's to do with every company in the globe...The story is about the globe, it has less to do about India. When you take large companies, what happens is that you get trapped in what I call the rear-view mirror. In 2000-2005, we were trapped in our rear-view mirror.

At HCL, the culture has changed...The first is there is a huge amount of trust between our employees and management. No. 2, we are very clear about where the value is. It is in the employees. Therefore, there is reverse accountability... And the third is that they are hugely empowered. The fourth is that we have slowly destroyed heirarchies... We are not there yet. What we did was, we actually inverted the pyramid and created what I called a value pyramid...where the management is accountable to employees... From a pyramid organisation you create a star organisation. Now the star organisation has to move what I call zones of influence where you can virtually collaborate with whoever you want. If it's cloud computing, it is this set of guys, if it is America, it is this set ....

It should look like a Facebook. ... The whole of a young person will come in only if he belongs to four or five different aspects of your company...

How do you manage to govern in such a structure?

It's a fantastic question and answer to this question is...who the hell has asked you to govern? Every CEO thinks that his job is to govern. What is the business you are in? It is to create value for your customers. The "govern" word doesn't come anywhere.

Have your appraisals changed? Do you get rid of your bottom people?

I think you should have performance orientation. Employee-first is not a beer and pizza party...It is a philosophy. You transfer the ownership to the employees, you make yourself accountable to employees then the performance better happen. It's not a compromise to the performance. ⊙

Excerpts from the book

The conventional wisdom, of course, says that companies must always put the *customer* first. In any services business, however, the true value is created in the interface between the customer and the employee. So, by putting employees first, you can bring about fundamental change in the way a company creates and delivers unique value for its customers and differentiates itself from its competitors.

Page 7, Introduction

On the first day of my Mirror Mirror journey, I landed in Chennai...(for) a session with about five hundred members of the engineering services team.....After my remarks, I paused for reactions. There weren't many comments. It was as if I had spoken the unspeakable and there was too much shock and hurt to allow for conversation. The pride we take in our work and in our past can make it difficult to hear the truth, let alone accept it.

Page 25, Chapter 1, Mirror, Mirror

People still doubt that an initiative like EFCS can actually lead to significant growth and profit. The best response ...is a few facts about the first four years (2005-2009) of our transformation:

- Seventy per cent of all major deals closed by HCLT were won against the Big Four global IT players. The number of our customers grew fivefold...
- Employee attrition has fallen by almost 50 per cent. That includes a significant decline in attrition of performers rated "outstanding"...
- We achieved a 70 per cent increase in ESAT (employee satisfaction), according to an independent survey.
- Revenues tripled over a four-year period.
- Operating income growth also tripled.

Page 181, Chapter 5: Find Understanding in Misunderstanding

To Roam or **Not to Roam**

More Indians than ever before are travelling abroad and taking their phones along. The savvy ones don't go roaming. KUSHAN MITRA

ALANKAR

Travelling abroad can be expensive, what with the airfares, the cost of wining and dining, and shopping. Back home after the trip, just when you think you are within budget, comes the unexpected blow: your mobile phone bill, loaded with roaming charges. If you are a frequent traveller, there are ways of keeping this under control.

The first is to get an international card from India using services such as Matrix, Uniconnect or Clay. Matrix, the most popular of them, serves most countries in the world. Sign up with it, and you get a SIM card with a number of the country you are visiting. It also has a "European" card for travel across Europe, and a data connection for those addicted to their BlackBerry and other email devices.

The problem? You have a number for each country you travel to. Imagine telling your family, co-workers and other contacts each of those numbers before you leave. Call forwarding from your Indian number is an option, but expensive.

You can, of course, retain your number and yet have a deal cheaper than international roaming if you have an Airtel connection, that too only in Delhi where the scheme has been introduced. The Airtel World SIM's call rates are a bit more expensive than Matrix, but all your incoming calls get redirected to the World SIM.

The third option is frankly the cheapest, though a trifle inconvenient for short trips. That is, to get a local pre-paid (called 'Pay-as-you-Go' in the US and UK) SIM card. While some countries like the UAE do not make it easy or cheap to get such a connection, in the US and UK it is fairly easy to pick up one.

In conclusion, this is what we feel your choices should be. If your volume of calls is minimal, say two-three short calls everyday, stick to international roaming. If you were to get a moderate amount of call traffic everyday or have a lot of local calls to make, or need to use data-enabled services such as your BlackBerry, choose a service such as Matrix. Keep in mind that data roaming, even for short periods is very expensive: in Germany, for example, one megabyte of data consumed while roaming will set you back almost 50 euro or Rs 2,900.

If you wish to be frugal or are travelling for a long time, you can easily buy a pre-paid SIM in almost any country, without much documentation, including popular tourist destinations such as Thailand. ⊙

Travelling to New York or London? Check your phone bill.

	ROAMING (ON EXISTING NO.)	MATRIX CALLING CARD (DAILY PLANS)	AIRTEL WORLD SIM*	LOCAL SIM
US	**Local call:** Rs 40-60/min **Incoming call:** Rs 55-70/min **Call to India:** Rs 100-130/min **SMS:** Rs 10-15	**Daily rental:** $1, or Rs 47 with 10 free minutes **Local and incoming calls:** 25 cents, or Rs 11.75/min	**Local outgoing call (mobile):** Rs 31/ min **Call to India (landline):** Rs 20/ min **Local Outgoing SMS:** Rs 41/ min **Outgoing SMS to India:** Rs 23	**Daily rental:** $1, or Rs 47 **Local calls:** Rs 4.7/ min incoming/outgoing (free mins bundled in) **Call to India:** Rs 47-94/min **SMS:** Rs 7-11.75
UK	**Local call:** Rs 20-40/min. **Incoming calls:** Rs 55-90/min **Call to India:** Rs 70-210/ min **SMS:** Rs 10-20	**Daily rental:** Rs 25 **Local calls:** Rs 8-17/min Incoming calls: Free **Call to India:** Rs 44 /min **SMS:** Rs 8	**Local outgoing call (mobile):** Rs 38/ min **Call to India (landline):** Rs 38/ min **Local outgoing SMS:** Rs 51 **Outgoing SMS to India:** Rs 88	**Local call:** Rs 5.44-17/minute **Incoming call:** Free **Call to India:** Rs 3.5-9.5/min **SMS:** Rs 3.5-13.5

*Airtel World SIM is only available for Delhi customers currently, requires a registration fee of Rs 500 and can be recharged in multiples of Rs 1,000 Prices are indicative and subject to exchange rates Source: Companies

Always on the Go?

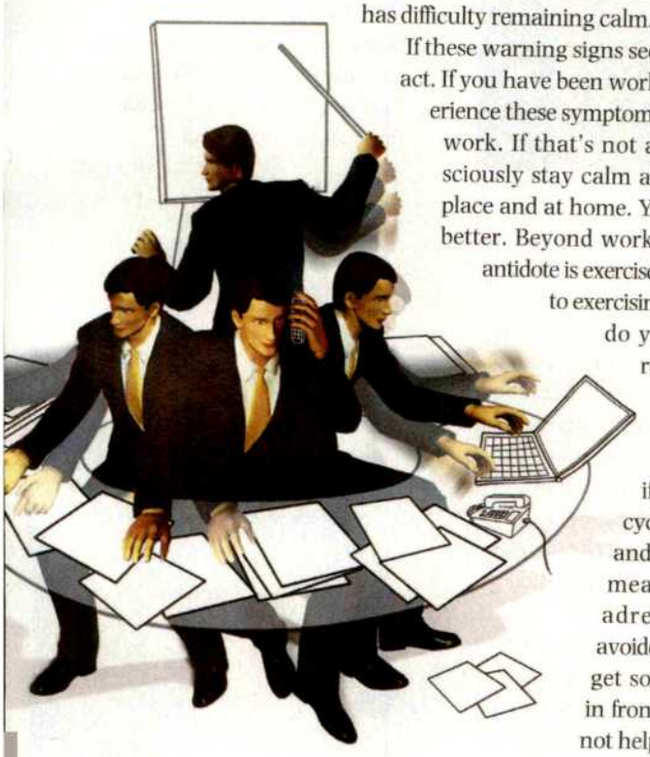
Your work life is a blur and stress is a constant. Here's a fix. SAUMYA BHATTACHARYA

Out of every 10 patients who are referred to Manish Gunjan, Consultant Interventional Cardiologist at Gurgaon's Medanta Medicity, at least three are below the age of 40. He recently performed angioplasty on a 36-year-old man, a successful working professional. "Smoking and work stress are turning out to be major causes of heart-related problems among working professionals in their 30s," he says. While smoking is a big cause, workplace stress is no less of a killer. Heart diseases are hitting professionals much earlier than before.

Lifestyle experts will tell you that a certain amount of stress can enhance performance. Stress triggers a rush of adrenaline, which helps you cope by making you more focussed and efficient. But what happens when you are constantly chasing deadlines? You then acquire bad stress.

In an article on the *Harvard Business Review* website (*www.hbr.org*), Judith Ross explains the relationship between stress and performance. Ross cites a study done a century ago by Harvard researchers Robert M. Yerkes and John D. Dodson, in which they calibrated the relationship between increases in stress and performance. Their finding: As stress goes up, so do efficiency and performance. But once stress exceeds a certain level, they noted, its benefits disappear and performance declines. Mental flexibility, concentration, and mood all take a hit, Ross says.

It's a vicious cycle—you are working long and skimping on sleep. Your body reacts by pumping more adrenaline, which can have an adverse impact on the kidneys, heart and brain, says Gunjan. The first warning signal is deterioration in cognitive functions. Reasoning and judgment go awry; irritability sets in; inter-personal relations at work and with friends get affected; and the person has difficulty remaining calm.



If these warning signs seem familiar, it's time to act. If you have been working furiously and experience these symptoms, step away from your work. If that's not an option, try to consciously stay calm and quiet at the workplace and at home. You will start focussing better. Beyond work, the most important antidote is exercise. "There's no substitute to exercising. Go for a swim, walk, do yoga. Get an exercise routine," says Gunjan, who is a stickler for morning walks.

Diet is important if you are trapped in a cycle of continuous work and resultant stress. Red meat is said to increase adrenaline so it is best avoided. make sure that you get sound sleep; dozing off in front of the television will not help. ⊙

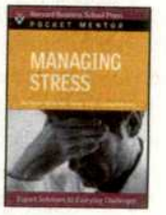
WARNING SIGNS

- Difficulty in maintaining focus and energy at work.
- Lack of optimism about projects and situations.
- Starting the day feeling tired and worn out.
- Sudden headache, or back pain or dizziness.

THE ANTIDOTE

- The best: Exercise.
- Get enough sleep. Deep sleep, not catnaps.
- Eat plenty of fruits and vegetables. Avoid red meat.
- Guard against negative thought patterns.
- Stay calm and quiet. This will improve your work efficacy.

SUGGESTED READING



MANAGING STRESS
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SATISH KAUSHIK

CAROL STEPHENSON

Carol's Passage to India

She is on the Board of post-bankruptcy General Motors, but at the top of her mind is also an opportunity called India. **CAROL STEPHENSON**, 59, Dean of Richard Ivey School of Business at the University of Western Ontario, Canada, sees huge potential in India's business and executive education market. The former CEO of Lucent Technologies Canada was in India in May to sign an MOU with IIM Bangalore to develop India-specific case materials for use in business education around the world. Next on the cards is a pact with the Indian School of Business, Hyderabad, for an initiative on case-based business education. Says Stephenson: "As the second-largest producer of case studies (after Harvard Business School) in the world, we are looking at replicating the case-based business education model in India with our partners." Stephenson was also on the board of Vancouver Winter Paralympics 2010. With the Commonwealth Games in Delhi only four months away, does she have any advice for India? "My advice will be to hurry up," she says.

SAUMYA BHATTACHARYA

ANMOL JAGGI

Carbon Smart

At first glance, you wouldn't sense that **ANMOL JAGGI**, 24, has the makings of a visionary. However, the entrepreneurial path chosen by this graduate of the University of Petroleum and Energy Studies (Dehradun) could soon anoint him as one. Gensol Consulting, the carbon consultancy started by Jaggi in 2007, today manages 18 million carbon credits on behalf of more than 300 clients. Jaggi not only helps clients design projects to earn carbon credits, but also helps manage the credits and trade them afterwards. "While there is awareness about the opportunity in carbon credits in India, not everyone knows how to go about it. That is why there is a 30 per cent rejection rate for projects from India seeking eligibility for carbon credits. Fortunately, none of the projects shepherded by us has been rejected so far," says Jaggi. Gensol has just come up with a report titled *Carbon Market Outlook 2010* to help the industry understand the subject.

SUMAN LAYAK

NISHIKANT GAMRE

SOUTH AFRICA

A Treat for Football Fanatics

South Africa is the place to be this fortnight as the FIFA World Cup kicks off across nine cities, starting June 11. And with matches being held across the length and breadth of the nation, you are spoilt for choice. But wherever you are based, do not forget to taste the wine. South African wines are highly rated.

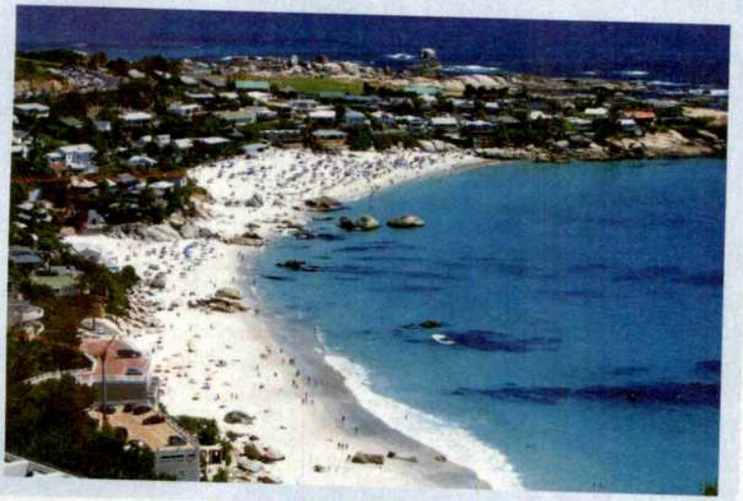
DURBAN
Match to Watch: Brazil vs Portugal on June 25; also the first semi final.
Off the Field: Visit the caves at Drakensberg and Mahatma Gandhi's home at Pietermaritzburg.

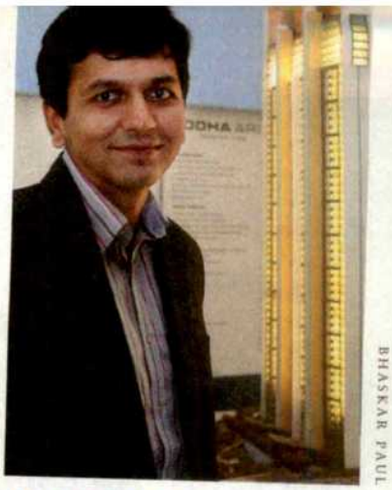
CAPE TOWN
Match to Watch: France vs Uruguay on June 11; also the second semi final.
Off the Field: Visit the table mountain, laze on the beaches where the Atlantic and Indian Oceans meet.

JOHANNESBURG
Match to Watch: Netherlands vs Denmark on June 14; also the final.
Off the Field: Take a quick flight to visit the Kruger National Park from here.

PORT ELIZABETH
Match to Watch: England vs Slovenia on June 23; also the 3rd place match.
Off the Field: Snorkel and scuba dive on the waterfront at the brand new Nelson Mandela Bay Area.

DHIMAN CHATTOPADHYAY





BHASKAR PAUL

ABHISHECK LODHA

Real Estate Prince

ABHISHECK LODHA, 31, is not your usual developer. He topped his class at the Georgia Institute of Technology, US, in 2001, winning the President's medal. And now, he is MD, Lodha Group, among India's better known builders of luxury apartments. Recently, his company bagged a 25,000 sq. m plot in Wadala (central Mumbai) for a whopping Rs 4,053 crore, beating rivals like Indiabulls Real Estate and Sunteck Realty. "In terms of location, it could not get better for us with the upcoming monorail and metro rail both converging at Wadala and the new freeway being built along the harbour also joining here," explains Lodha, adding: "This site will be by far the most well-connected site in the city."

T.V. MAHALINGAM

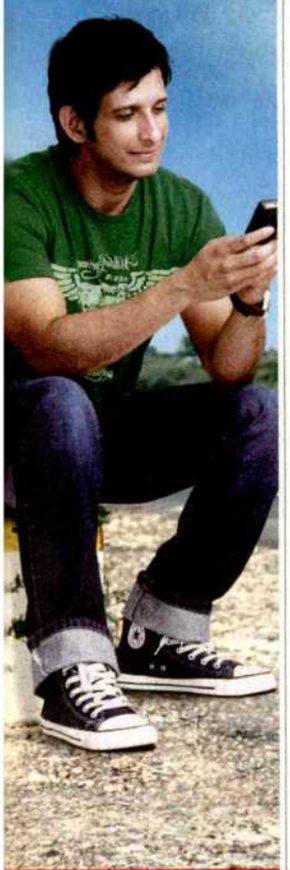
NOKIA C1, C2

Nokia's Dual Attack

Not the most expensive Nokia handset ever but possibly among the most important releases for the Finnish company, as these are its first "dual-SIM" handsets. And while still a few months away from launch, they seem to tick all the boxes that India's mass of mobile consumers have while buying a phone—memory card slot, camera and radio. The C1 is expected to cost around Rs 1,800, with the more expensive C2 priced upwards of Rs 2,700 and featuring chat, an Internet browser as well as Ovi Mail capability. Not the typical product you might see on this page, but possibly one that shows Nokia's first determined attempt to claw back market share lost to the tens of Indian brands selling Chinese-made dual-SIM devices.

KUSHAN MITRA

Airtel



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My leadership style

Walk the talk.

The leadership lesson I remember the best

Be the change you want to see in the world.

The political leader I admire the most

Mahatma Gandhi.

The business leader I admire the most

Steve Jobs.

A book/movie I would recommend on leadership

Twelve Angry Men.

What I think is the difference between a manager and a leader

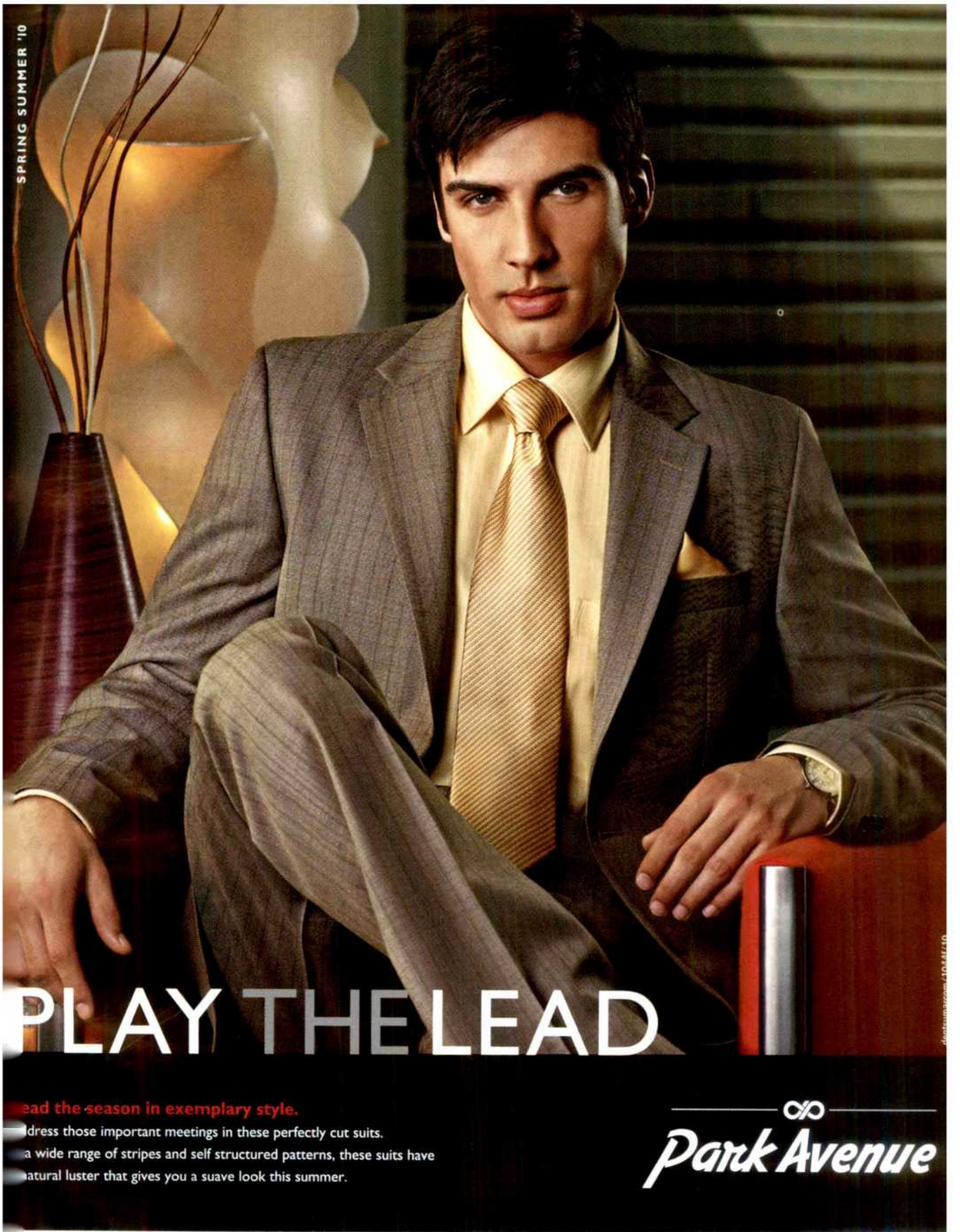
A true leader is a visionary, a catalyst, a change agent. And by definition, inspires his or her people to follow.

All good managers aren't good leaders

If you are a good manager, congratulations—you've reached base camp. Now for the real climb... good luck!

As told to Shamni Pande

Vol. 19, No. 13, for the fortnight June 14-27, 2010. Released on June 14, 2010.



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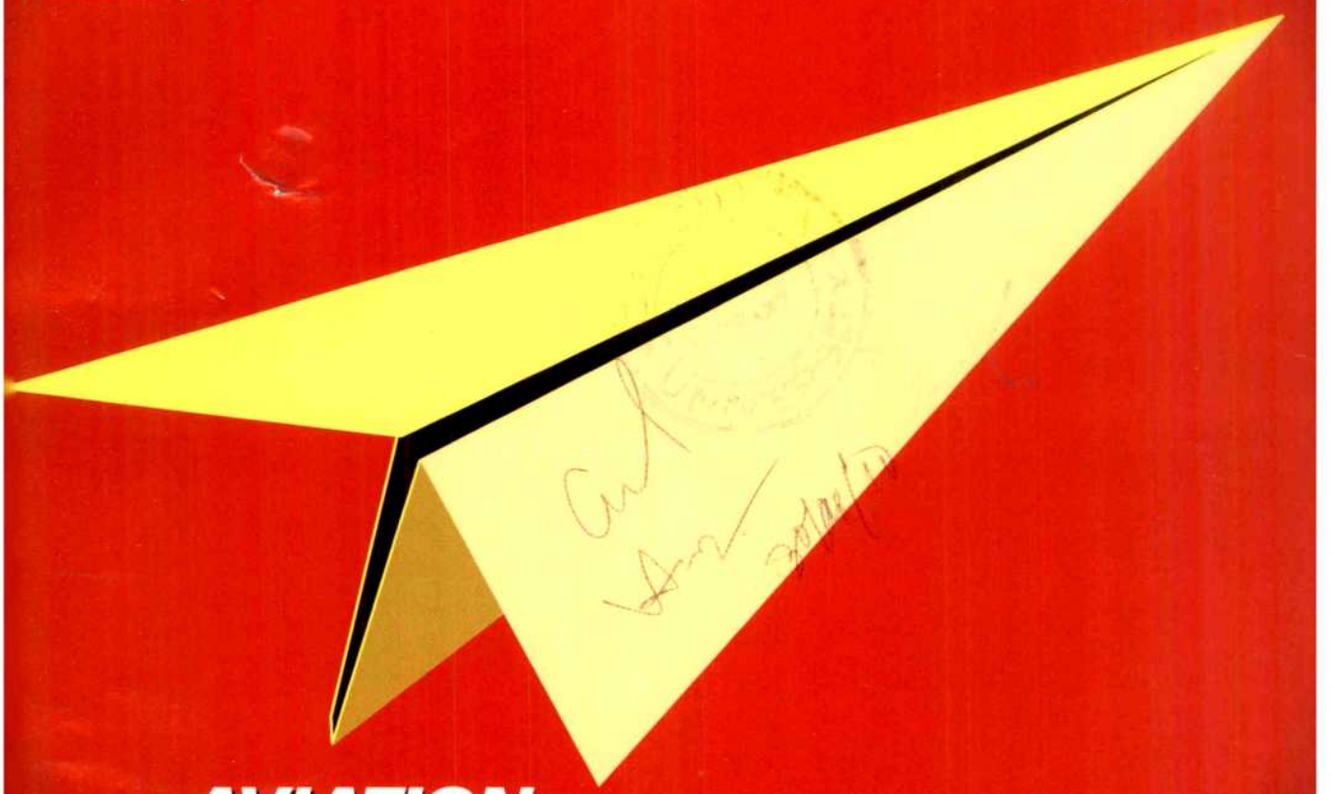

AVIATION

Low Cost Rules

rlines pile up passengers as thrift becomes the new ligion in Indian skies. The story of how no-frills carriers ve come to dominate the airline business. P 30

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From the Editor

You won't get the lounges with pile carpeting, deep sofas, canapés and laptop docks. You don't have the noise and to-do of Mamata*di*'s Duronto non-stop trains either. What you do get is efficient ground staff checking you in at the airport; much better on-time performance than the larger carriers; smart and purposeful crew members; crisp turnarounds at airports; and the enticing option of criss-crossing our vast subcontinent without blowing a giant hole in your budget.

What a change in fewer than seven years. With his first flight in September 2003, Capt G.R. Gopinath flew into a territory dominated by the likes of Indian Airlines, Jet Airways and Sahara Airlines. Private airlines had been allowed in India a decade earlier and a rush of investments and two spectacular belly-ups later, Gopinath's Air Deccan had a compelling offer for millions of middle class Indians: fares comparable to second-class AP train fares. The soldier-turned-feisty entrepreneur could not see his airline through its fourth year as his cash dried out. But others have avoided his fate, building their models with tight focus, attention to detail, better funding and lots of luck—notable being IndiGo and SpiceJet. Our cover package tells the story of how low cost airlines dominate the skies today and how these two carriers have forced market leaders Jet and Kingfisher to follow in their wake as demand busts the charts. Domestic airlines carried 21.14 million passengers in January-May this year, up a sharp 22 per cent from 2009. Other stories in the package: how regional, short-haul airlines have failed as low cost carriers succeeded (page 38), the viability risk at dozens of India's upcoming airports (page 40), and a fast-evolving aviation eco-system (page 44).

Elsewhere, we map how desperate Europe's richest man is to come back to the country of his roots. Five years after he signed an agreement to set up a steel plant in Orissa, little has moved and L.N. Mittal, Chairman, ArcelorMittal, is setting his sights on Karnataka—in part for mining rights in the ore-rich state (page 54). Media magnate Rupert Murdoch is likely more happy with India than Mittal. Not only has Star Plus regained its top slot as India's most-watched channel, Murdoch's Indian operations are catching up with the country's biggies in media & entertainment.

There is much else in this packed issue, a compelling invitation for me to a ringside seat at the Great Indian Growth Show. I'm buckled up and ready. I know you are, too.

Chaitanya Kalbag

CHAITANYA KALBAG

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Boom in New Businesses

Gen Next: India's Hottest Start-ups (BT cover, June 27) reinforces the impression that the global credit crisis is being followed by a bull market for new businesses. Just as the earlier wave of start-ups gave birth to new generations of businesses and quite a few star entrepreneurs, today's start-ups could well do the same and create more than just wealth. **Neha Thakur**, *Kolkata*

Start-ups Are the New Trend

There is a new movement shaking up India Inc. The emergence and rise in the number of start-ups being set up in the country today mirrors the trend that caught on in the United States in the '90s. As Indian venture capital grows and gathers momentum and as angel funding becomes more vibrant, the right ecosystem to create and nurture start-ups will strike roots in India. What's also helping start-ups is the fact that quite a few promoters nowadays see themselves as serial entrepreneurs and are willing to cash out of established businesses. **Alok Rai**, *Chennai*

Better Than Before

Compared to the start-ups that got funded at the beginning of this decade, today's start-ups have it easy because of the investor experience available to them. Entrepreneurs and venture capitalists are not only more clued in to the mechanics of building companies, they also understand the risks better and can troubleshoot better. At the same time they are also good at involving a team of passionate people who can help to grow and build the business. **Shashi Shekhar**, *Bangalore*

Man on a Mission

Yash Birla's casual looks (*Yash Birla Goes to School*, BT, June 13) are just a facade. His business acumen is evident from his recent diversifications into sectors like education, solar power, wellness and lifestyle. Even his choice of men—P.V.R. Murthy, Devang Vyas, N. Srikrishna and Mohan R. Datari—to run his businesses reveals Yash Birla as a businessman at the top of his game. **Manu Kumar Lal**, *Gurgaon*

From Invention to Innovation

Your *Innovation* issue (BT cover, May 30) reminds me of what the Internet entrepreneur Daniel Scocco has said on the subject: "Invention refers to new concepts or products that derive from an individual's ideas or from scientific research whereas innovation is the commercialisation of invention itself." **J.S. Broca**, *Delhi*

Another Kamath in the Spotlight

K.R. Kamath is one person that ICICI Bank would find it hard to love (*The Kamath ICICI Bank Has to Watch Out For*, BT, June 13) given the fact that he is one person singularly responsible for dethroning ICICI Bank from the No. 2 perch among Indian banks. In doing this, Punjab National Bank's Kamath has ensured that ICICI Bank will always have to remain on its toes and can no longer afford to rest on its laurels. **Bal Govind**, *Noida*

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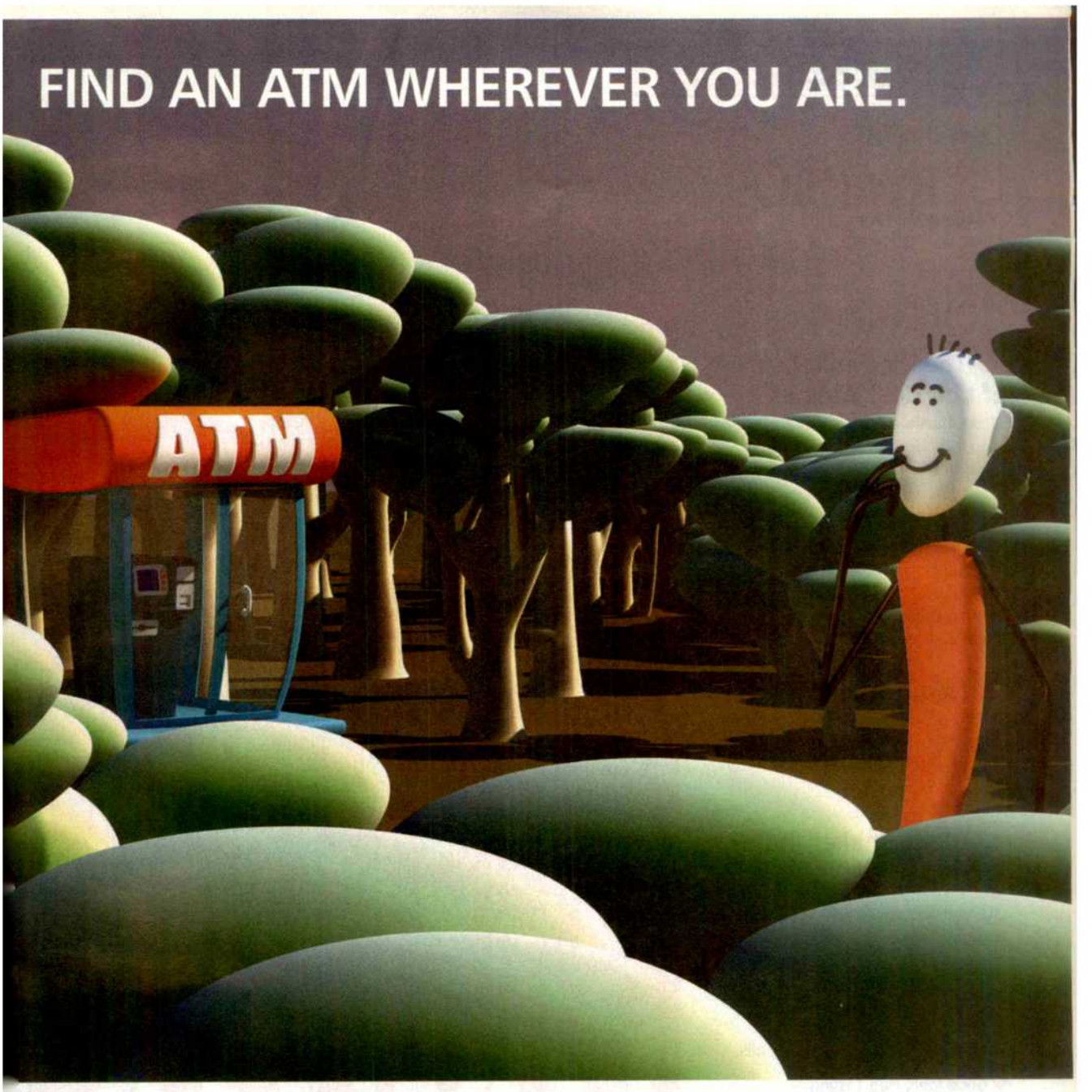

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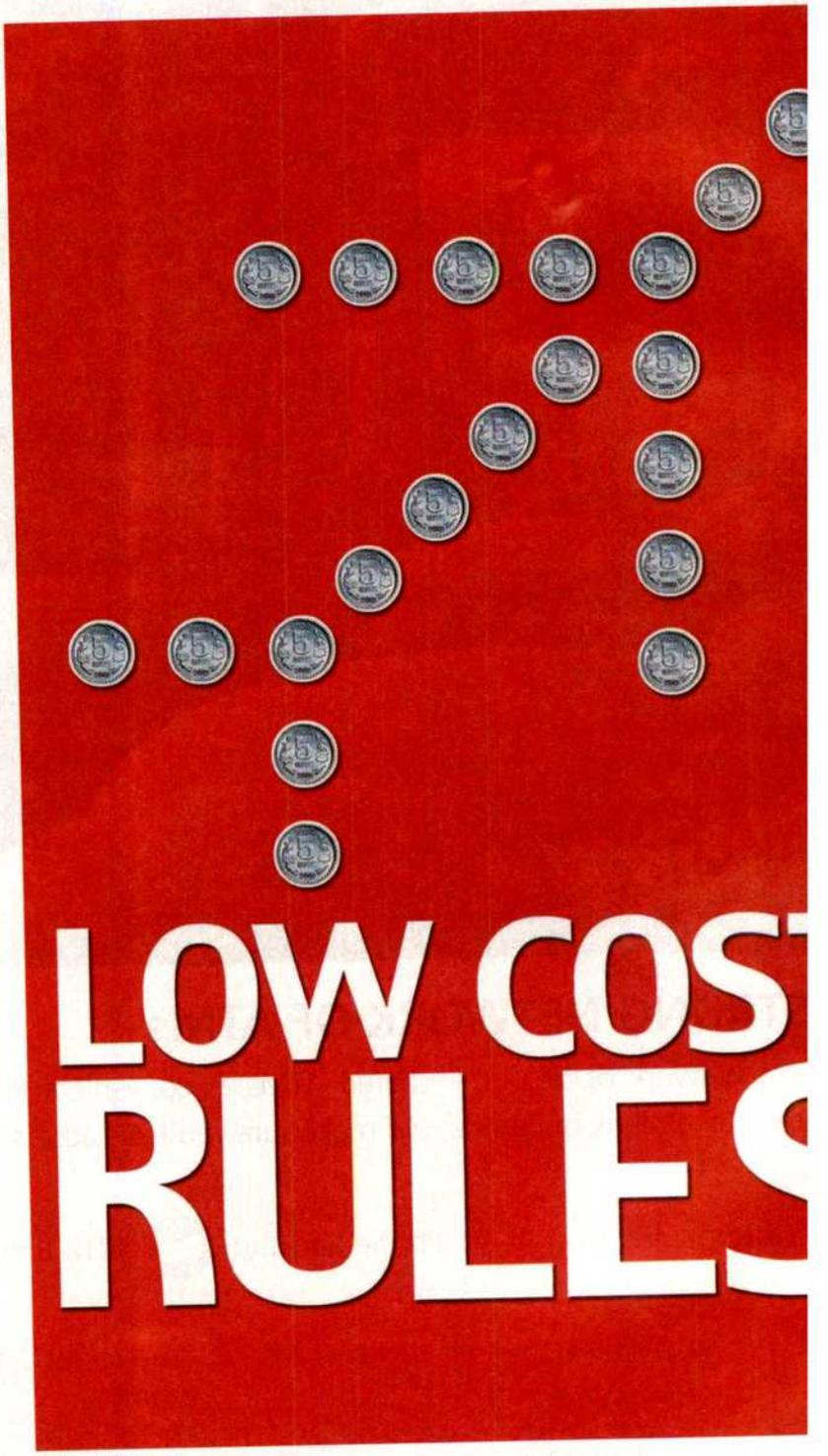

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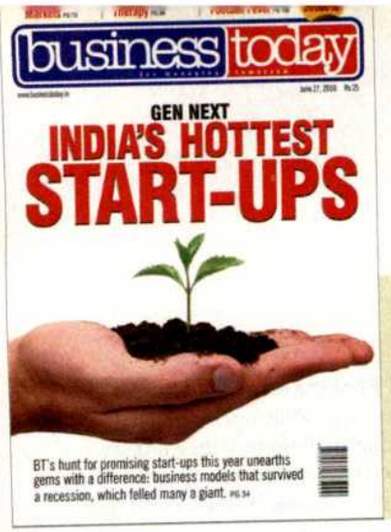

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GEN NEXT: INDIA'S HOTTEST START-UPS

Our third issue on *India's Hottest Start-Ups* brings you this year's listing of hot entrepreneurs, many of whom launched their businesses just before the downturn of late 2008 engulfed the world and India. Find out how their business models survived the test—and thrived! Also, read what happened to the hot start-ups we featured in our earlier issues, and how private equity funding at the growth stage can be a game changer, helping a young company vault ahead.

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THE FEAR IS BACK

The €750 billion rescue package from the EU and IMF to bail out Europe has failed to allay international concerns about a repeat of the post-Lehman collapse scenario. While home consumption is likely to cushion India from the crisis, equity markets worldwide remain nervous, with investors worried.

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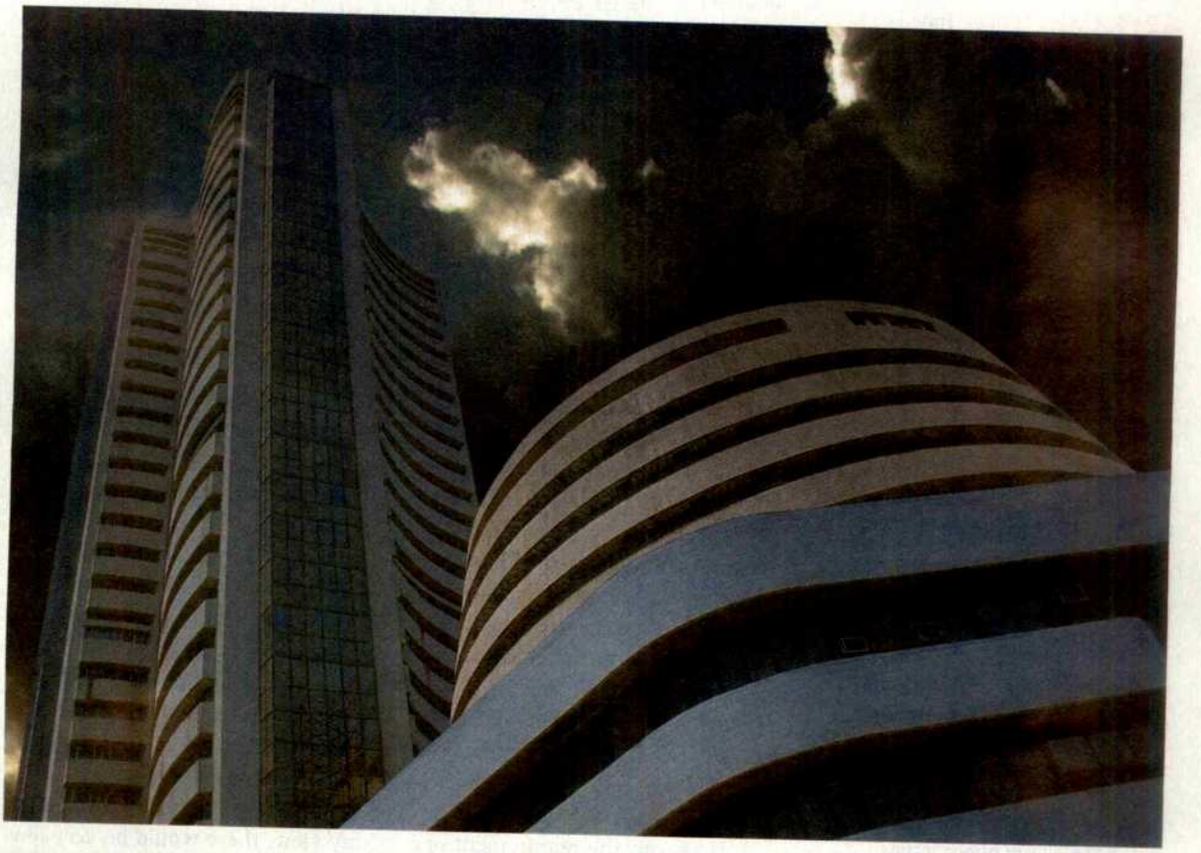
Focus

11 Logjam Over N-Bill
12 Cash in on Volatility
16 The Other Maran
22 The Oil Price Cycle



Good Idea, Bad Timing

Mandating listed companies to have a minimum public float of 25 per cent is the right step, but should it be done in the middle of a global downturn, asks Motilal Oswal.

The idea of a minimum level of public shareholding in listed companies is not new. Until the early 1990s, promoters of listed companies were not allowed to hold more than 40 per cent of the paid-up capital. This was subsequently relaxed to allow up to 90 per cent promoter holding. The latest amendment requires a minimum public float of 25 per cent in listed companies, irrespective of what requirements applied to them at the time of their initial listing. Listed companies where promoter holding exceeds 75 per cent have to sell to the public, diluting five per cent per year until the stipulated minimum public float of 25 per cent is achieved.

At a conceptual level, such a requirement is laudable. Among the long-term advantages of a higher public float are increased market depth, enhanced liquidity, better price discovery, and improvement in corporate governance. When companies sell their holding to meet the enhanced minimum public float, it should result in a more dispersed shareholding, lowering opportunities for collusive market action. The resultant increase in liquidity would enable small investors to buy or sell

THE BIG NUMBERS...

- **Rs 1.2 lakh crore:** The amount the government could raise if 29 listed PSUs bring down their holding to 75%.
- **Rs 70,000 crore:** The amount that can be raised from stake sales in just three PSUs: MMTC, NMDC and NTPC.
- **Rs 1.5 lakh crore:** What can be raised from PSU and private companies that have to comply.

... THE BENEFITS...

- A higher public float increases market depth, enhances liquidity and leads to better price discovery.
- A more dispersed shareholding will lower opportunities to rig share prices.
- Higher public holding result in a rise in India allocations by FIIs.

... AND THE RISKS

- Investor appetite may not match the glut of public issues.
- Companies with a genuine need of capital could get crowded out.
- A few companies may choose to delist.

shares at prices that are discovered in a fair manner. Reduced concentration of ownership also encourages good governance.

At a more pragmatic level, too, there would be significant long-term benefits. A higher public holding would increase the free-float market capitalisation of the Indian market. As a result, India's weightage in the globally tracked free float-based emerging market indices would increase. This, in turn, should lead to a rise in foreign inflows.

Government-owned companies will account for the bulk of the issuances to comply with the new minimum public float norm. If the government chooses to bring down its shareholding in 29 listed companies where it owns over 75 per cent through stake sales, it could raise more than Rs 1.2 lakh crore over the next five years. This would help the government to consolidate its fiscal position further, after raising over Rs 1 lakh crore from the auctions of 3G and BWA spectrum. Stake sales in MMTC (government holding: 99.3 per cent), NMDC (government holding: 90 per cent) and NTPC (government holding: 84.5 per cent) alone would help raise over Rs 70,000 crore.

However, the requirement of a higher public float is not trouble-free. There would be a glut of issuances to meet the new guidelines. In the near term, the incremental equity issuance is likely to create an overhang in the secondary market. To comply with the new norm, companies would have to raise over Rs 1.5 lakh crore. This is three times the average of Rs 50,000 crore raised annually through equity issues, including IPOs. Not only will companies/promoters seeking to comply with the new guidelines find it difficult to do so, companies with a genuine need for capital, too, might find it difficult to raise resources.

Given the current global financial crisis, this is not the best time to have introduced this norm. It might have been more sensible to wait for the global crisis to subside for good. But then, there always are some not-so-desirable fallouts and some pain associated with any change. Promoters do not need to bring down their holdings at one go. Staggered dilution would help take away some of the pain, though the valuations realised may still not be in line with promoters' expectations. The guideline of five per cent dilution per year gives most companies three years and some government-owned companies five years to comply. If this were revised to 2-3 per cent dilution per year, it could make things easier.

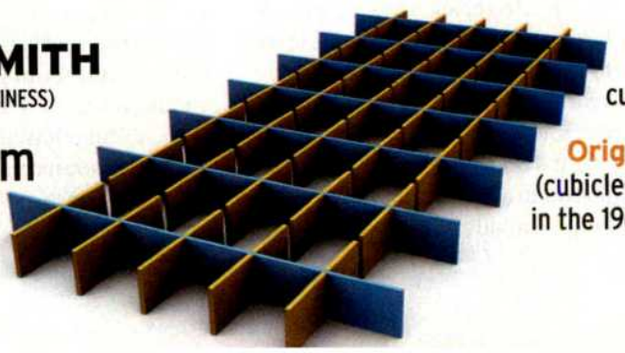
Another fallout might be that some companies with low public float would choose to buy back the small portion of shares in public hands and go private. However, in my view, there would be very few such instances. A listing on Indian bourses is not just about raising money, but, perhaps, more significantly for enhancing brand value—the recent issue of Indian Depository Receipts from Standard Chartered Bank is a case in point.

The author is the Chairman & MD of Motilal Oswal Financial Services

WORDSMITH

(NEW WORDS IN BUSINESS)

Cube Farm

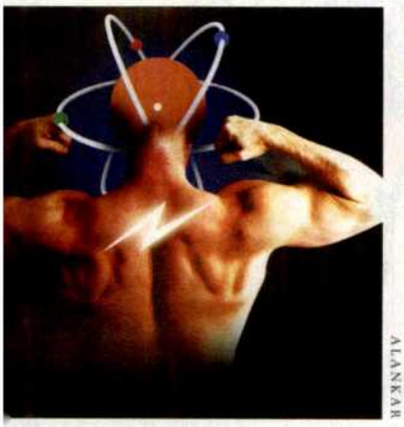


What it means: An office full of cubicles/ a sterile workplace.

Origin: The first cube farms (cubicle- filled offices) appeared in America in the 1960s and were originally meant to

Fission Over N-Bill

The Nuclear Liability Bill has become a hot potato for the UPA government. We zero in on the key issues.



ALANKAR

The background: The historic Indo-US Nuclear deal on October 10, 2008, ended India's nuclear pariah status. The deal can work only if the Parliament clears the Nuclear Liability Bill, which seeks to cap the liability of nuclear operators.

What's at stake: India's newly-opened civilian nuclear energy market is worth $150 billion over the next few years. India aims to generate 20,000 MW of nuclear power by 2020 and 63,000 MW by 2032, with plans to build 24-30 new reactors, in addition to the existing 19 reactors.

What the Bill proposes: It caps all liability due to any accident at $450 million. The Bill also proposes to cap the liability of an individual operator of a nuclear plant at Rs 500 crore (about $100 million). The Opposition feels this is woefully inadequate given the scale of the 1984 Bhopal Gas Tragedy and the paltry relief victims got in return.

The government's stand: The draft legislation is consistent with the Convention on Supplementary Compensation (CSC) for Nuclear Damage adopted by the International Atomic Energy Agency in 1997. The Rs 500-crore cap on individual operators will be periodically reviewed.

What needs to be done: The compensation payable in the event of a nuclear incident has to be substantially raised. In the US, in the event of an accident, first the insurer pays and beyond that, a fund jointly contributed by the operators pays up to $10 billion. (The foreign reactor supplier's role must be clearly defined and the supplier be held accountable if its negligence were to cause any incident.)

Bill's status now: Before the Parliamentary Standing Committee which has time till July 14 to submit its views.

K.R. BALASUBRAMANYAM

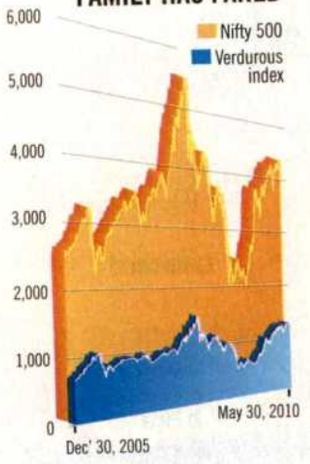
isolate workers from noise and distractions. Chip giant Intel was amongst the first to have cubicles in its offices.

Current usage: Ties, PowerPoint presentations and cube farms are hardly the stuff dream workplaces are made of.

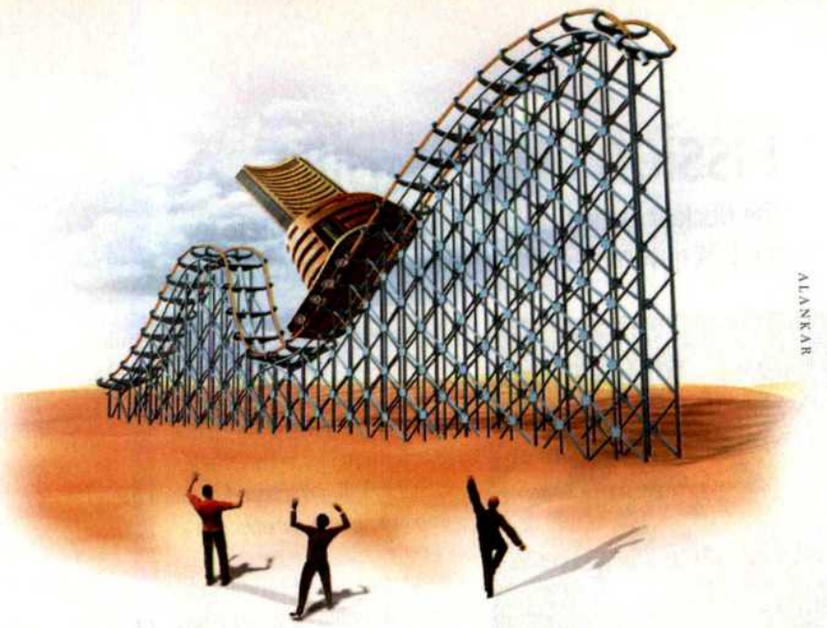
TRACKING THE 'GREEN' STOCKS

Now for those investors who feel strongly about eco-friendly business practices, here's an initiative to help them track the performance of green companies on Indian stock markets. A broad-based green index has been conceptualised by Verdurous Solutions, a consultancy on 'clean-tech' initiatives. The 25-stock index incorporates firms from the renewable energy and energy-efficiency space besides the mainstream 'old economy' manufacturing companies. The criteria–firms must have demonstrated superior environmental performance compared to their industry peers.The index includes Suzlon Energy, Hero Honda, Praj Industries, Bajaj Hindustan and ITC. Says Sunderasan Srinivasan, Economist, Verdurous Solutions: "The index is intended to analyse the correlation between superior environmental performance and firm valuations."

HOW THE 'GREEN' FAMILY HAS FARED



A beta of 0.87 means Verdurous often tracks the broader market



ALANKAR

Make Volatility Work for You

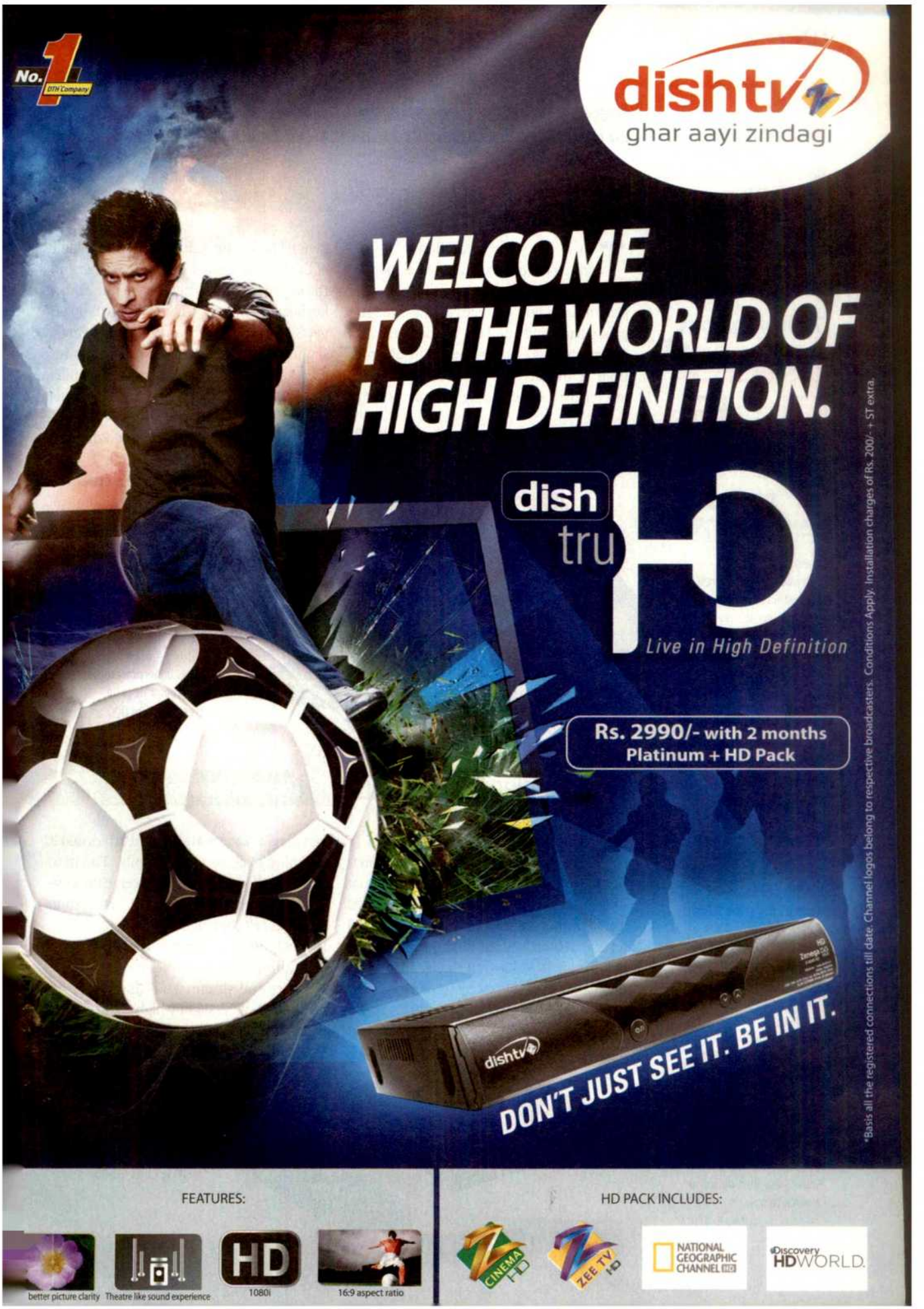
A new tool–derivative trading on the volatility index–for investors to reduce their portfolio risk. ANAND ADHIKARI

Tradable volatility products: The NSE is planning to introduce derivatives products—futures and options—with the volatility index as the underlying asset. It's similar to taking an exposure on stock or index derivatives. Investors will be able to bet on the volatility by taking a position on the volatility index.

How volatility index works: It's an indicator of market expectation of volatility over a period of 30 days based on the options price of a stock index. The index extracts this by taking the fluctuation in the put and call options prices on a given day and expressing it as annualised volatility. The index captures the implied risks associated with the stock markets. Spikes in the volatility index are associated with an imminent market rise or fall. The thumb rule: higher the volatility index, the more will be the fear amongst the investors' community.

Benefits for investors: The NSE was the first to introduce a volatility index, the VIX, in April 2008, to make investors familiar with the concept. F&O VIX products will give another trading product for investors to buy, speculate and hedge their risk in the equity market. It's like trading on volatility. Both institutional as well as retail investors can trade this product. For example, you can directly buy a volatility index if you expect wide fluctuation in the near future or hedge your risk (investment in other equity products) by taking a reverse position in the volatility index.

Global trends: There are various indices available in the global exchanges for trading on volatility. The Chicago Board Options Exchange was the first to introduce volatility index in the United States way back in early 1930s. Today, all the popular global indices are available as volatility index products. They are liquid instruments, and are actively used by traders to both speculate and hedge their portfolio.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ZEE TV HD
NATIONAL GEOGRAPHIC CHANNEL HD
Discovery HD WORLD

Website

Want a product from the US really bad? This website promises to get it for you and takes care of all the headaches. But pricing ummm... is an issue.

20north.com

Times have changed, Hollywood movies launch in India within a week if not the same day as they open in the United States. But when it comes to gadgets, India remains woefully behind. It isn't just gadgets, but also clothes, shoes, accessories—the choice in India seems limited compared to the West. Here is a site which allows you to shop in the US and get delivery here: 20north.com. It ships the product to India, taking care of the customs, shipping and handling. Worth it? Let's, the 16GB iPad (Wi-Fi) costs $499 (Rs 23,500 approximately) in the US. At 20north, you get it for Rs 33,000, all inclusive. Worth it? Possibly yes, for the desperate shopper, but the extras are massive. With many other products, the price difference was small. The site does give people the option to buy from any US site. Keep in mind that eBay India also has a 'Global easy Buy' option on its website now.

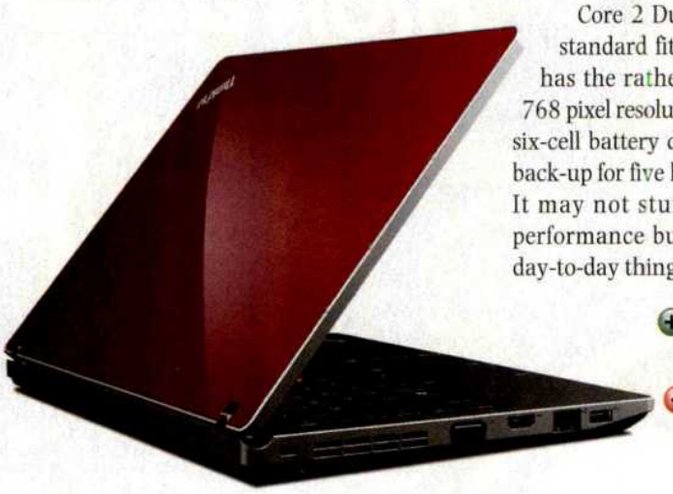
KUSHAN MITRA

This issue we check out the latest Thinkpad, and a great way to watch digital content on your TV

Thinkpad Comes Home

Lenovo Thinkpad Edge

This is not your "traditional" Thinkpad; after all, it is aimed more at the consumer rather than the enterprise market and its price reflects that. The glossy back cover and the overall feel of the computer is nice, and refreshingly different from Thinkpads of the past. Yes, the irritating (or useful, depending on your point of view) TrackPoint still inhabits the middle of the keyboard like a permanent *bindi*, but the keyboard itself is new. Gone is the flush keyboard of previous Thinkpads: what you get is a "chiclet" keyboard, or keys having a slightly convex surface. This is a low-power computer. You can configure the machine with a choice of AMD or Intel (a 1.3 GHz Intel Core 2 Duo is usual) processors. A standard fitment Thinkpad Edge still has the rather nice 13.3-inch 1366 x 768 pixel resolution LED-backlit screen. The six-cell battery delivers a good amount of back-up for five hours of watching movies. It may not stun you with spectacular performance but it does most mundane day-to-day things fairly well. KM



⊕ New exterior looks, nice keyboard, decent battery life, good price

⊖ Feels underpowered, the trackpoint lives on

Price: Rs 34,000 onwards

Digital Video on Demand!

Iomega ScreenPlay TV Link

Happiness in a small package for those who use the Internet as a medium to find content. This small product from Iomega plays back most digital video formats, including the relatively new Matroshka (.mkv) format which is used for high-definition digital videos. It does not shrink all formats and can be caught out by some video sizes occasionally. The best part about this player is that it has two front USB ports where you can plug in your portable hard drives and it will play back content happily. The HDMI out port allows your TV to receive the content in Full-HD and it is a lot better than playing back content on a computer screen. In fact, you can even buy a Wi-Fi adapter that allows the device to connect to the Internet and stream YouTube videos directly to the TV. A slightly higher end version comes with in-built storage. However, the remote could be slightly better. KM

⊕ Compact, useful, support for two hard drives

⊖ Remote could be easier to use, can lead to an impressive wire tangle

Price: Rs 6,500

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Data centres
From the rack to the row to the room to the building, energy use and availability of these interconnected environments are closely monitored and adjusted in real time.

Industrial plant
Open standard protocols allow for system-wide management of automated processes with minimized downtime, increased throughput, and maximized energy efficiency.

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*EcoStruxure architecture reduces energy consumption by up to 30%.

In the Spotlight

KALANITHI MARAN

The Other Maran

ALANKAR

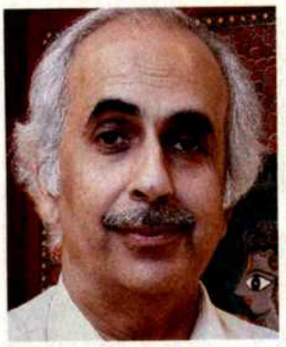
Kalanithi Maran's ambitions have taken wing. The Chairman and Managing Director of Sun TV Network breezed into the aviation business recently, acquiring a 37.75 per cent stake in low-cost carrier SpiceJet for about Rs 750 crore, in his personal capacity.

The SpiceJet buy is a milestone for Maran, 45, who has so far limited his business empire to the media and entertainment space. Maran's Sun TV group stakes its claim as India's largest media conglomerate with 20 TV channels, 45 FM radio stations, two daily newspapers, four magazines, a direct-to-home satellite TV service, and a movies production and distribution business.

Hailing from the first family of Tamil Nadu, politics could have been the easiest choice for Kalanithi Maran. His grand-uncle, M. Karunanidhi, is the Chief Minister of Tamil Nadu. His father, the late Murasoli Maran, was a Member of Parliament for 36 years and a Union Minister in three separate governments. His brother, Dayanidhi, is the Union Minister for Textiles. But, after an MBA from the United States, this Maran chose the media business over a career in politics.

In fact, late last year, the quiet Kalanithi was in the news for being the country's highest-paid executive, taking in a tidy Rs 37.08 crore—ahead of the likes of Mukesh Ambani. His wife Kaveri, as Joint Managing Director of Sun Network, was paid another Rs 37 crore. With that kind of money, and the DMK's political muscle, Kalanithi Maran's ambitions may soar even higher. T.V. MAHALINGAM

Well Said



This 3G auction is a bonanza... a good part of it will go to trim the deficit and fiscal consolidation.

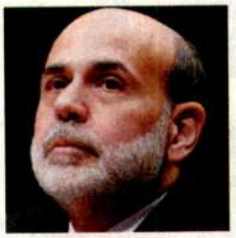
Ashok Chawla,
Finance Secretary, on the government's plans to use the 3G auction bounty, in The Economic Times

The Indian consumer is very demanding, which is a good thing. They want a significant amount of quality, but they also want the lowest price possible.

Andreas Gellner,
Managing Director, Adidas India, in Mint

The federal budget appears to be on an unsustainable path. It's both large relative to the size of the economy and increasing over time.

Ben Bernanke,
US Fed Chairman, before a hearing of the House Budget Committee



CLASSIC BUSINESS QUOTE

Success breeds complacency. Complacency breeds failure. Only the paranoid survive.

Andrew Grove,
Former CEO, Intel

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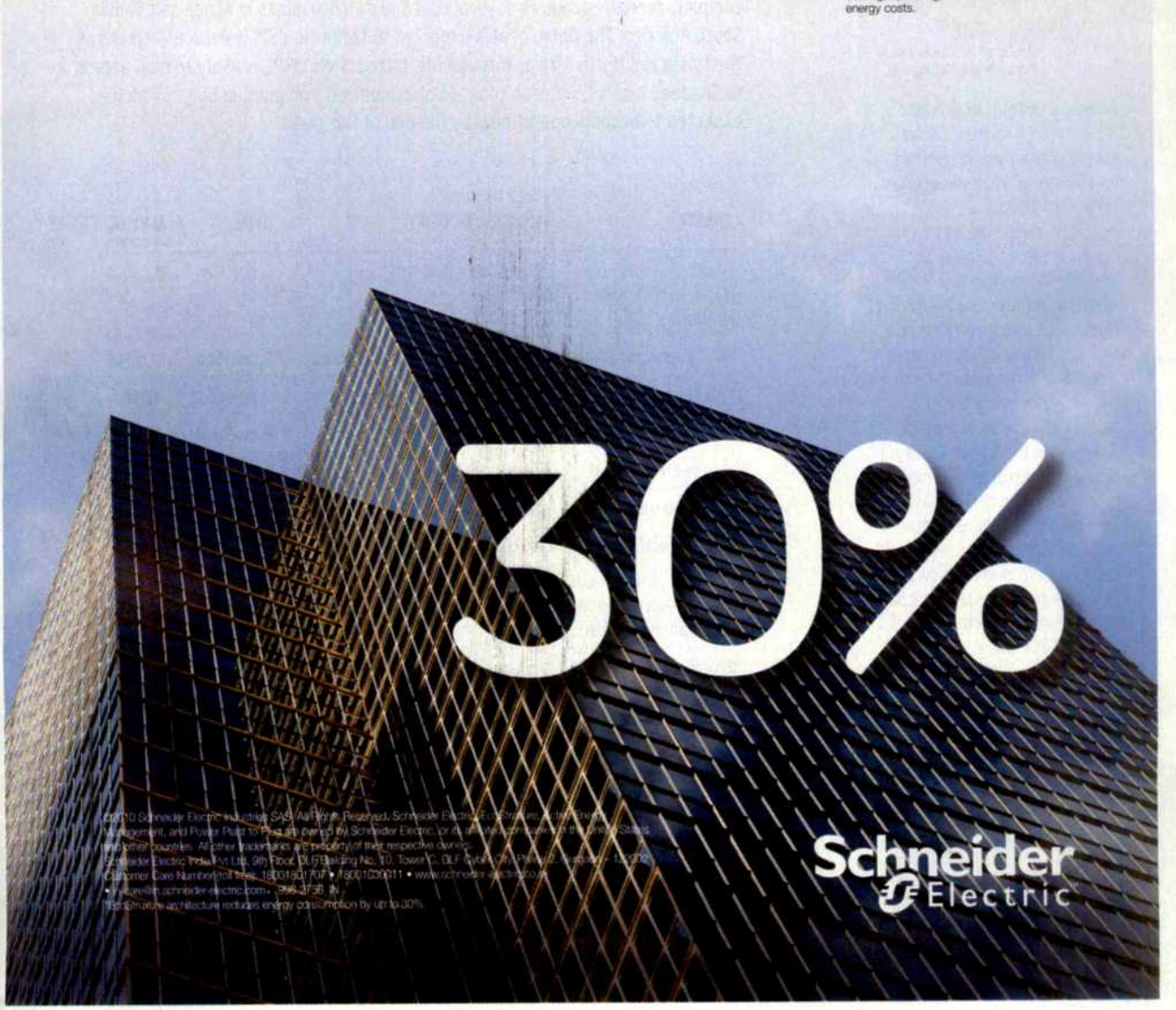

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Schneider Electric

Is gold a safer long-term investment option than stocks?

Results of *BT* Online poll;
No. of respondents: 234

Investor sentiment can be fickle. This is evident from the results of our poll. A large majority feels that gold is a safer long-term investment option than stocks.

As gold prices escalate amid reports of soaring demand, it's tempting for investors to follow the herd. More so, when stocks have been volatile with the global economy in the doldrums. But investors should also factor in the risks with investing in the yellow metal.

Gold prices are prone to dramatic swings. With little economic utility, demand is tough to gauge. Stocks, on the other hand, are considered a more reliable bet. Blue chip stocks outperform other assets over the long term. Sure, gold offers security from a long-term perspective, it has not been a preferred choice for consistent investment.

Next poll question:

Will a 25 per cent public float for listed companies ensure better price discovery?

Log on to www.businesstoday.in to cast your vote

BT-ERNST & YOUNG

Deal Watch

BIGGEST DEALS IN THE PAST 30 DAYS*

Ajay Piramal: Cashing Out

The US-based health care company, Abbott Laboratories (Abbott), has snapped up Piramal Healthcare Solutions for Rs 17,400 crore ($3.7 billion). The deal will strengthen Abbott's position in branded generics and will scale up its presence in emerging markets. Abbott will now become a leading player in the Indian pharmaceutical industry with a 7 per cent market share and gain access to 350 brands and trademarks as well as a plant at Baddi in Himachal Pradesh. This is the second-largest M&A deal in the Indian pharmaceutical sector, after Daiichi Sankyo acquired Ranbaxy Laboratories in June 2008.

Here's another deal which could be a game changer. Jindal Steel and Power Ltd (JSPL) has acquired Oman-based Shadeed Iron & Steel Co., LLC for Rs 2,172 crore. The acquisition is in line with JSPL's international strategic expansion plans, as the company recently acquired several coal and iron ore mines in Africa and Bolivia, South America. The Oman deal is expected to facilitate JSPL's expansion plans in West Asia and North Africa. Through this transaction, JSPL is likely to gain access to Shadeed Iron's 1.5-million tonnes hot briquetted iron plant in Sohar, which is expected to become operational by the end of this year.

TARGET	ACQUIRER/ INDUSTRY	TYPE	DEAL VALUE (Rs crore)	STAKE (%)
Healthcare Solutions Business of Piramal Healthcare Ltd	**Abbott Laboratories**/ Pharma	Acquisition	17,400.0	100
KBL European Pvt Bankers	**Hinduja Group**/ Financial services	Acquisition	7,954.1	100
ABB India Ltd	**ABB Ltd**/ Industrial products	Open offer	4,386.5	23
Bank of Rajasthan	**ICICI Bank**/ Financial services	Acquisition	2,907.3	100
Shadeed Iron & Steel	**Jindal Steel & Power** / Metals and mining	Acquisition	2,172.0	100
Areva T&D India	**Alstom SA, Schneider Electric SA**/ Infra	Open offer	1,412.4	20
Godrej Household Products	**Godrej Consumer Products**/ Retail and consumer products	Acquisition	1,056.2	51
Thermal Powertech Corporation India Ltd	**SembCorp Industries**/ Infrastructure	Investment	1,042.0	49
Decisionone Corp.	**Glodyne Technoserve**/ Technology	Acquisition	469.1	100
Cholamandalam DBS Finance Ltd	**Tube Investments of India**/ Financial services	Acquisition	400.2	NA
Fortis Healthcare	**GIC Special Investments**/ Health care	Private equity	383.4	7
AGC Networks	**Essar Group**/ Technology	Acquisition	206.2	59
Goodyear India	**Shareholders**/ Automotive	Acquisition	146.9	NA

Ernst & Young is a leading M&A advisor in India. The data is based on media reports and company announcements. Any decision on the basis of this information should be taken only after professional advice. Business Today *or E&Y do not undertake any responsibility with regard to any such decision. * As on June 7, 2010 Not a complete list.*

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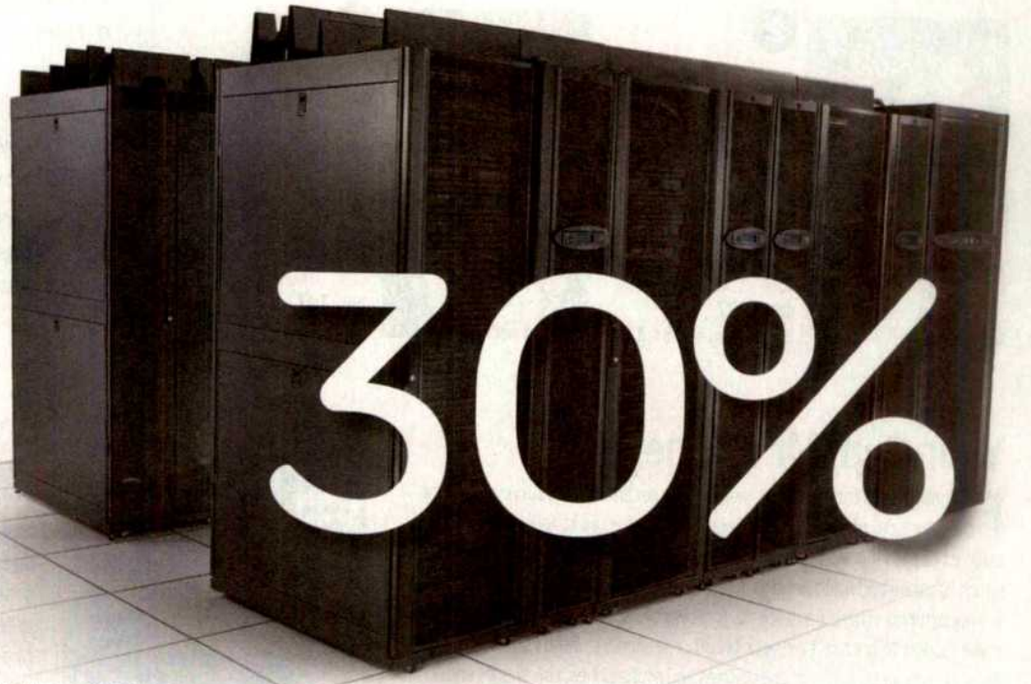
Data centres
From the rack to the row to the room to the building, energy use and availability of these interconnected environments are closely monitored and adjusted in real time.



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*EcoStruxure architecture reduces energy consumption by up to 30%.

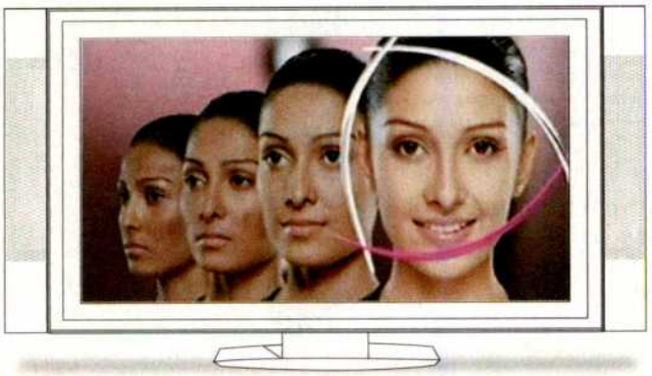
Schneider Electric

BT-TAM

Most-watched Ads in May 2010

When a hardcore technology brand decides to rope in television soap *bahus* and their respective beaus to promote its family of processors, it had to have effect. Intel shows up at No. 3 spot as India's Most-watched ad this May. In fact, Intel became the first technology brand to actually use characters from popular soap serials across the STAR Network to promote its brands. In addition, it has worked across various other channel platforms to advertise its products. It was on ESPN extensively when it sought to correlate smart performance on-field with its product capabilities. Skews such as this tend to get noticed, especially on a list that is nearly always dominated by FMCG brands.

The **Top Five...**



1 FAIR & LOVELY MULTIVITAMIN
GRPs: **993** Seconds on air: **344,785**

2 Sun Direct
GRPs: **925**
Seconds on air: **278,565**

3 Intel Core Processor
GRPs: **808**
Seconds on air: **186,680**

4 Surf Excel
GRPs: **797**
Seconds on air: **184,830**

5 Lux Toilet Soap
GRPs: **747**
Seconds on air: **243,465**

... And the **Other Twenty**

RANK/BRAND		GRPs
6	Limca	650
7	Reliance Mobile	649
8	Colgate Max Fresh Gel	593
9	Panasonic Viera Flat-Panel HDTV	578
10	Dettol Cool Soap	551
11	Pantene Pro V Nourished Shine	542
12	Clinic Plus Shampoo	532
13	Horlicks	507
14	Dixcy Scott	499
15	Horlicks Badam Masti/chocolate	482
16	Cadbury's Bubbaloo Cool Mint	463
17	Garnier Gentle Face Wash	454
18	Fanta	448
19	Parle G	436
20	Complan	435
21	Tata Tea	426
22	Center Fresh	423
23	Tata Indicom Photon Plus	415
24	Ariel Oxyblu	412
25	Dettol Toilet Soaps	410

All india CS 4+Yrs GRP normalised to 30 secs
Source: TAM Peoplemeter System
To see ad duration, visit www.businesstoday.in

Your Cup, Mr Rooney?

Football fever is raging across India, with a recent Nielsen survey revealing that eight out of 10 Indians in big cities are expected to follow the live telecast of the FIFA World Cup on TV. But for those who believe in quant models, which use data and mathematical formula to identify long and short stock trading opportunities, here's a quick tip. A recent JP Morgan report has used the same models to predict, hold your breath, the winners of the FIFA World Cup. After crunching 69 pages of possibilities and probabilities, raw scores and deviations, the report predicts that the English Lions would lift the cup in Johannesburg. Predictably, the report did not account for Green's goalkeeping butterfingers. To be fair, the report was circulated before the tournament began and JP Morgan brands this as a 'lighthearted' exercise to be taken with a pinch of salt. Talk about covering your bases!

COMPILED BY SHAMNI PANDE

JP Morgan Says

"Brazil is the strongest team taking part in the tournament. However, due to the fixture schedule our model predicts the following final outcome"

Champions: **England**
Runner-up: **Spain**
Third: **The Netherlands**

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The Oil Price Cycle

Fuel prices could be set for an increase soon. But have you ever wondered what makes oil prices as volatile as they are? *BT* demonstrates the various stages in oil production—from extraction of crude to the transport of refined products to petrol stations, and how costs and prices move at each step.

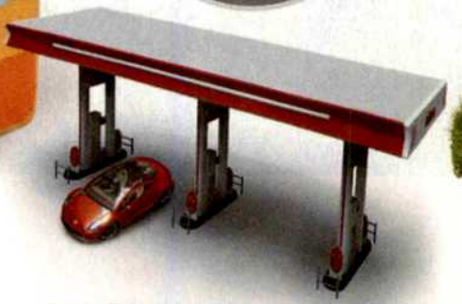
1 Cost of 1 ltr of **crude** at this stage: **Rs 1.6**

Extraction

Crude oil in West Asia (which is India's main supplier) can be extracted by natural pressure making production cheaper than in the CIS countries which bank on "artificial lift" techniques.

Fixed retail price (petrol) to consumers: **Rs 47.75**

Under recovery per litre (borne by the OMCs) = **- Rs 2.79**



8 Cost of 1 ltr of **petrol** at this stage: **Rs 50.54**

Taxes

Finally, the hefty tax component. Custom and excise duties almost double the petrol retail price for consumers.

Fuel-inefficient three-wheelers have the highest average annual consumption of petrol at

over 1,000 litres

'Under-recoveries', or losses at oil firms on kerosene has grown

800 per cent in five years

7 Cost of 1 ltr of **petrol** at this stage: **Rs 27.9**

Distribution

Inland freight, marketing costs and dealer margins come next. Distribution costs and the marketing margin (fixed by the government) add to the costs at which oil marketing companies buy from refineries.

6

$-Rupee effect

Fluctuating US dollar-Indian rupee exchange rates also affect fuel prices. If the rupee weakens against dollar, fuel prices, like all other imports, get more expensive.

5 Cost of 1 ltr of **petrol** at this stage: **Rs 24.8**

Refinery

The selling price of products at the refinery gate is governed by the international product prices, what is typically referred to as the import parity price. Margins for refineries is the difference between the product and crude price on international oil markets.

Source: BT Research, Industry

5 STEPS TO HERE

EAST INDIA COMPANY REDUX

1

1600

East India Company granted a royal charter in the last day of 1600 by Elizabeth I. Trades in cotton, silk, tea, opium and dye.

2

1615

Sir Thomas Roe arrives in India, granted permission to trade by Mughal Emperor Jahangir. In 1757, Robert Clive-led company forces win the Battle of Plassey, establish empire.

BT Retro

Capital Decline

BT, September 28, 2003

Issue: Best cities/ Delhi's rank No.14

Among the 32 states of the Union of India, Delhi stands out like a sore thumb. With an area of 1,483 sq. km, it is smaller than cities such as Kolkata, but its population of 14 million is bigger than Goa's. Its state domestic product of Rs 56,253 crore (2002-03) is only the eleventh-biggest, but per capita income at Rs 39,620 is the highest. The oddities don't end there. Technically Delhi is a state, but in practice it is still an overgrown city, and until the controversial Delhi Statehood Bill, 2002, is passed by Parliament (the central Cabinet cleared it recently, but the local government, which is controlled by the Congress party, opposed the Bill because it gives overriding powers to the Governor) it will remain so. Laments Delhi's Chief Minister Sheila Dikshit: "It is a government that is working with its hands tied behind its back."

...To make things worse, half a million immigrants pour into the city every year. Delhi has surplus power, but outages are routine, some 39,000 polluting units in Delhi, based in industrial clusters of Naraina, Mayapuri and Wazirabad, put a question mark on further industrialisation of the state.

No wonder, the capital received just Rs 300 crore in private investment over the last three years.

(NOW: Thanks to massive infrastructure investments in the last few years, Delhi topped CII's 'Liveability Index' in 2010, ahead of Mumbai. Sheila Dikshit's consecutive electoral victories have ensured that the city has enjoyed a stable government. Delhi is scheduled to host the Commonwealth games later this year.)

3

1858
After heavy losses in the First War of Independence, the British government nationalises the company, including its army and possessions.

4

2005
Sanjiv Mehta, an NRI, buys the company from its 30-odd owners.

5

2010
The East India Company plans to open its first luxury goods store in London in a month's time. Plans to sell tea, coffee and spices.

T.V. MAHALINGAM

Mukesh Logs In

The peace pipe of the Ambani brothers is still warm, and Mukesh enters the telecom space.

On June 14, when India's convoluted auction of radio spectrum for Broadband Wireless Access (BWA) ended, there was one clear winner. A company called Infotel, which had won the right to provide over-the-air broadband services in all 22 of India's telecom circles. "Who is Infotel?" and "How does it have Rs 12,848 crore?" were the two questions everyone was asking.

Infotel was promoted by Anant Nahata, son of Mahendra Nahata, promoter of HFCL, one of India's smaller telecommunications companies. That still did not answer the second question. An hour or so after the auction ended, Mukesh Ambani's Reliance Industries Ltd (RIL) had made its move, buying 95 per cent of HFCL Infotel.

RIL would invest Rs 4,800 crore in deploying its new network. And with multiple references to the TD-LTE technology in its press release, it seemed that RIL had chosen the GSM Association-approved technology rather than go with the Intel-backed WiMax.

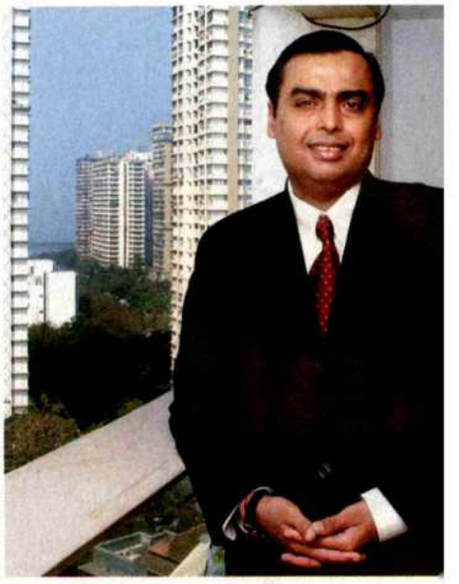
Infotel is not Mukesh's first foray into telecom. Even though Reliance Infocom was a project conceived by him, his brother Anil Ambani got it as his share following the family split in 2006. Infocom had used a loophole in the policy for Wireless in Local Loop-Mobile (WLL-M) to launch a full mobility service despite protests by other operators, notably Bharti Airtel's Sunil Mittal.

In acquiring Infotel, RIL is the only company to acquire all-India spectrum in either the 3G or BWA auction. And with voice still accounting for over 80 per cent of revenues for operators, would RIL make an entry into voice riding on being an Internet Service Provider (ISP)?

The fact is there are very few TD-LTE compliant handsets available in the world. In fact, voice over this "next-generation" technology, dubbed by some as 4G, is far from perfect. However, data speeds of over 100 megabits per second have been achieved.

So this has led to a theory that has been gaining ground. Voice over Internet Protocol (VOIP) calls between mobile phones are not allowed in India, but VOIP calls between computers are. Most modern smartphones are more computer than phone, so what if the definition of a computer changes? Even though almost a decade has passed from the time RIL entered the mobile space, market watchers remember how it entered the market. Until RIL answers these questions, or launches its service, clarity might be hard to find.

KUSHAN MITRA



BHASKAR PAUL

ROADBLOCKS AHEAD

- Unlike 2001 (Reliance Infocom), his rivals in the telecom space are a lot, lot larger.
- Reliance's other entries into consumer-centric businesses have been less than stellar.

NUMBERS OF NOTE

19mn

The number of Indian viewers who watched the World Cup in the first two days of the tournament on TV, reports TAM.

$1.6bn

Sponsorship revenue generated by FIFA World Cup. Six FIFA partners, like Adidas and Coca-Cola, have paid between $24 million and $44 million.

$420mn

The total prize money on offer at the FIFA World Cup, up 60 per cent from 2006. Winner takes home $30 million, teams in the round of 16 take $9-million cash.

£1bn

The potential loss caused by lost working hours in the United Kingdom as football mania grips its people, according to a report by the Chartered Management Institute.

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"WE ARE OPEN TO ACQUISITIONS"

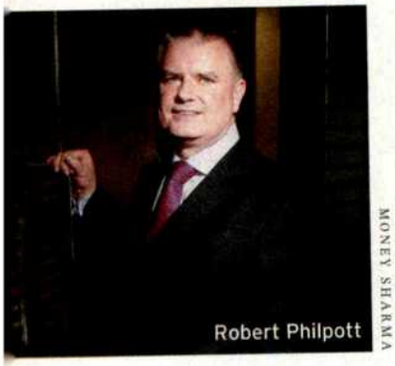
The global CEO of market research company Synovate, **ROBERT PHILPOTT**, *spoke to* BT's **SHAMNI PANDE** *on how it emerged as one of the leading players in India within six years.*

"We have managed to establish our presence in India despite being virtually unknown here even five, or six years ago. Today, we are the third- largest in the country.

"We have managed this with work from prestigious clients such as SAB Miller, Volkswagen, Audi, Unilever and Nokia, among others.

"Customised research is an area of our expertise and clients seek specific solutions, over and above what syndicated research reveals to them. This is where we come in. But this does not mean we will ignore syndication opportunities.

"Yes, we are open to acquisitions and will consider any player who can provide a better leverage in this market. Scale is important for us and we want to stay in touch with competitors."



Robert Philpott

MONEY SHARMA

Mark Hoplamazian

UMESH GOSWAMI/www.indiatodayimages.com

"Huge Potential in Indian Tier-II Towns"

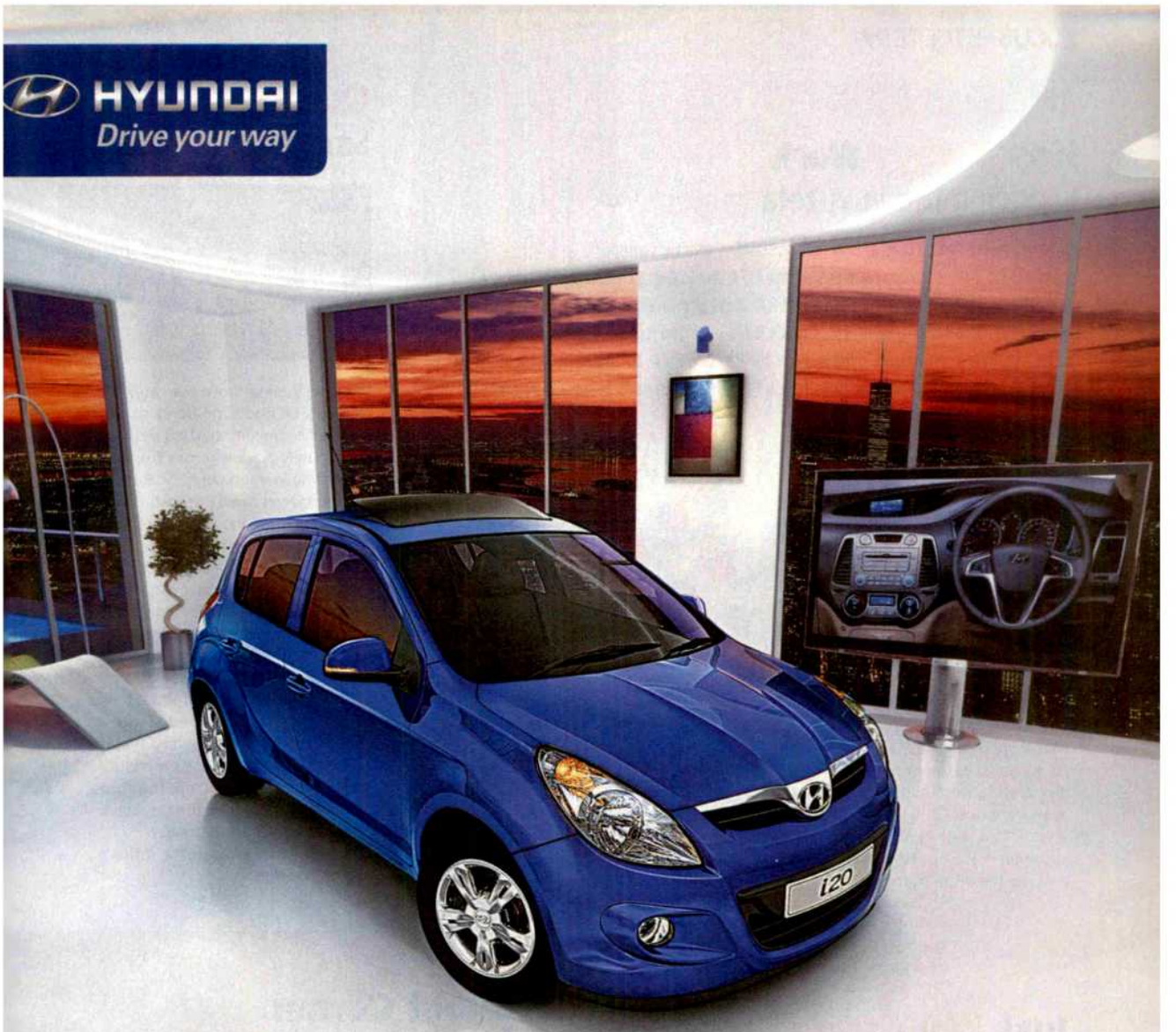
MARK HOPLAMAZIAN, *Global President and* CEO, *Hyatt Hotels Corporation, spoke to* BT's **DHIMAN CHATTOPADHYAY** *about why it took Hyatt nearly three decades to put its India plans on the fast track.*

The gap between demand and supply in India has risen at an astounding pace over the past five years. Ten years ago, the demand in India was neither this high nor was there a need to set up so many hotels. We work primarily with third-party capital and till 2004-05 the message we got from potential partners was the same: demand was limited to the metros and growing slowly. All that changed after 2005. The past three years, therefore, have seen Hyatt focus on development of the brand portfolio in India. So, it's not as if we woke up to the India growth story post recession. For hotels to start tomorrow, we had to start work four years ago.

Today, honestly, there are no full stops in India as far as growth potential is concerned. Over the next five years, we plan to open 30 more hotels here in both old and new markets. We are opening Hyatt Regency hotels in Pune, Ahmedabad and Vizag apart from ones in metros, and the Hyatt Place brand in Indore, Lucknow, Mundra, Mysore, Vadodara and Aurangabad, among others. The potential in tier-II towns is huge. We do not share country-specific numbers, but 25 per cent of our new projects worldwide are based in India. We invested close to $70 million in new properties around the world in 2009. That should give you a fair idea.

The biggest change in our business strategy during the slowdown was to tell all the general managers of our hotels around the world not to worry too much about top lines but focus on expanding market share. We reprioritised our goals. This was also a period when companies globally discouraged executives from booking into large hotels. So, we had an internal communiqué to all hotels to ensure we gave each guest the best value for money experience. We did get hurt by the slowdown in corporate travel, but in some countries we gained significantly when firms booked into Hyatt Regency hotels in France or Italy instead of more expensive rivals. They realised that they got much the same standard for less.

HYUNDAI
Drive your way



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INNOCEAN-069/10

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How Things Work
Silencing the Vuvuzela

Nobody could predict that an innocuous-looking plastic trumpet would evoke such strong reactions at the FIFA World Cup 2010. The Vuvuzela, a metre-long plastic horn, when blown at full blast produces a loud monotone that's noisier than an aircraft taking off. Critics have branded its noise as "satanic", "a deafening swarm of locusts", and called for its ban. FIFA, for now, is disinclined to outlaw the African instrument. But, if you find the Vuvuzela's blast annoying, here are ways to block it out:

- There are downloadable software available on the net, for a price, that claim to filter out the Vuvuzela noise. One site sells an MP3 with a sound wave similar to the horn's, which "cancels" the noise. Acoustics experts have questioned this claim.
- A simpler way of doing it would be to adjust the hardware settings of your TV or stereo with an equaliser to filter out the noise. Lifehacker, a tech blog, claims that if you take the EQ levels down between 465Hz and 235Hz, the Vuvuzela noise is blocked out.
- If your TV set does not have these settings, reach out for the remote and tap the mute button.

ILLUSTRATIONS BY ALANKAR

Quirky
Smoke Up, e-style

Imagine the Marlboro Man in 2010. No ranches, no boots, no horse to saddle. And, with smoking getting outlawed in most public places across the planet, no puffing in open country. But the Marlboro Man need not fret. He can get his nicotine fix, without blowing carcinogenic fumes at innocent passers-by. The solution is an electronic cigarette or e-cigarette. An e-cigarette is an electronic device, which is increasingly popular in the United States and Europe, and available even in India. (It sells online at Rs 600 for a 'pack' of 10.) It looks like a cigarette and is loaded with a vapourised nicotine delivery system on to which an atomised cartridge can be loaded. So, you get the "buzz", minus the smoke and the tar, claim e-cigarette manufacturers. In short, a healthier cigarette, if there is such a thing!

COMPILED BY T.V. MAHALINGAM & KUSHAN MITRA

Just Wondering
Mumbai Drained Out

The monsoon hit Mumbai last fortnight and Mumbaikars are not sure if they should laugh or cry. The citizens of India's financial capital have been facing water cuts for the last four months as the city's water reservoirs dried out after poor rainfall last year. But instead of greeting the showers, Mumbaikars are worried about flooding–an annual feature.

Floods are nothing new to Mumbai. Even before the deluge of 2005, when the skies opened up one July morning dumping more than three feet of water on Mumbai, the city was swamped two decades before as well. Back then, the state government had come with a proposal to overhaul the city's drainage system. Known as Brihanmumbai Storm Water Disposal System (BRIMSTOWAD), the project involved replacing old drains, setting up pumping stations, clearing encroachments etc. Mumbai has hundred plus-year-old drainage system, which included 2,000 km of open drain and 440 km of closed drains, and the costs were significant–estimated at Rs 600 crore in 1993. Since the July 2005 floods, less than 15 of the proposed 62 works have been completed and the tab for the project has gone over Rs 2,000 crore. Swimwear might be the order of the day for Mumbaikars.

Snoot Corner
Japanese Whisky

In 1924, Shinjiro Torii, a Japanese wine merchant hired Masataka Taketsuru, who had recently returned from Scotland and had become well versed in manufacturing its top product, whisky. Taketsuru set up Japan's first whisky distillery for Torii at Yamazaki near Kyoto. However, in 1931, Taketsuru quit and moved north to Hokkaido, setting up the Yoichi distillery. Torii's company was to become Suntory and Taketsuru's Nikka and both produced Japanese whisky for years before the world woke up to it. Japanese whisky often wins out in blind-taste competitions against Scotch whisky. Even though few people in India are aware of the quality of fine Japanese Single Malts such as the Hakushu or Nikka Single Malt, many often prefer them to Scotch. Japanese whisky is not so easy to find in Indian liquor shops but top-end Japanese restaurants such as Wasabi at the Taj Mansingh in Delhi serve the brew. Believe us, try some, you will like it.

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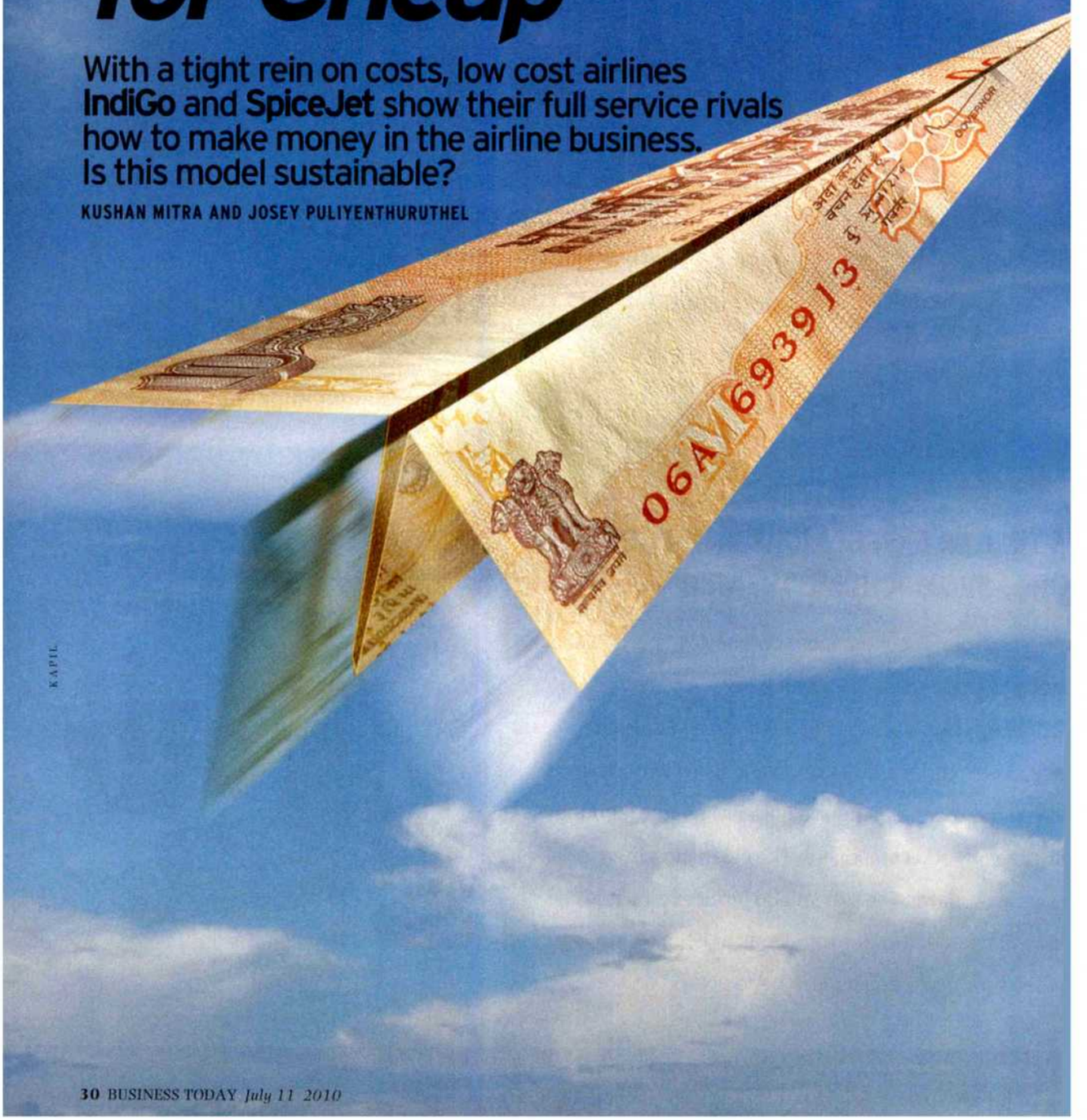
Plush Makes Way for Cheap

With a tight rein on costs, low cost airlines IndiGo and SpiceJet show their full service rivals how to make money in the airline business. Is this model sustainable?

KUSHAN MITRA AND JOSEY PULIYENTHURUTHEL



KAPIL

Late in 2008, aviation fuel prices in India had started scaling down from the peaks of Rs 70,000 a kilolitre that August. But the mood at Jet Airways, the country's oldest private airline, was sombre. Its planes had begun to empty out, as the slowdown in the economy settled in and thrifty passengers opted to fly on Jet's cheaper rivals and turn to rail, or, even, road transport. Average load factors on planes, or the number of seats with passengers, had started to sink.

Airlines such as Jet, which were still clearing dues on past fuel purchases, needed their planes seven-tenths full to break even on each flight. Depressingly, Jet's load factor was hovering around 60 per cent in March 2009. Sudheer Raghavan, Chief Commercial Officer at the Mumbai-based airline, and his lieutenants needed to come up with a solution. And fast. The airline was losing Rs 2.5 crore a day.

Raghavan found the answer within the Jet fold, at subsidiary JetLite. The unit, the erstwhile Air Sahara, which Jet had bought in April 2007, was recording load factors 5-10 percentage points higher that its parent. JetLite, which ran an all-economy service and had done away with hot meals, had lower costs that, in turn, allowed it to peg its fares at least 15-20 per cent cheaper than Jet's plush, full-service model.

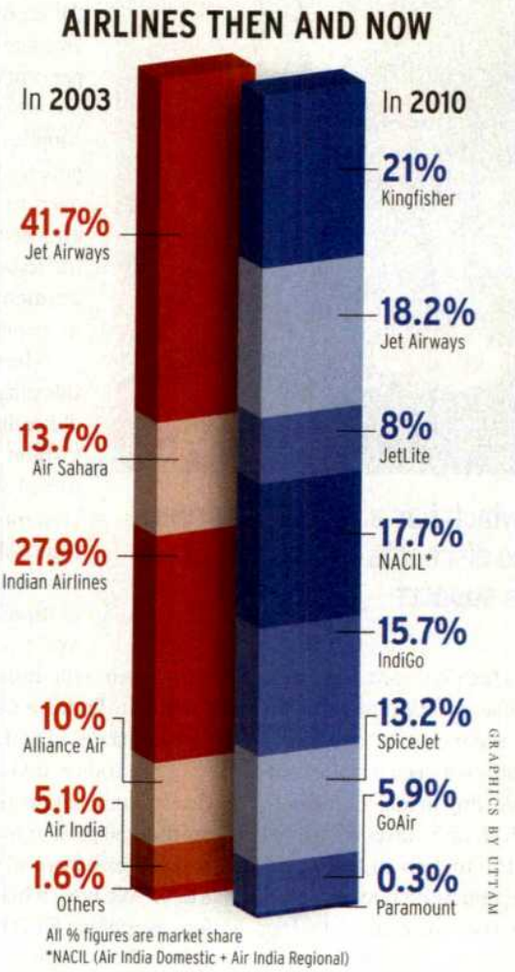
If Jet needed any more convincing, it came from this fact: while JetLite was making losses even with its lower costs, two of its main rivals, IndiGo and SpiceJet, were doing relatively well. The two had, by early 2009, not just garnered over 25 per cent of the air passenger market between themselves with a combined six years in the business, they were making small operating profits, too.

Jet moved quickly. Starting with eight Boeing 737 planes, it removed business-class seats and added a few more rows of economy, converting its 140-odd seat aircraft to 175-seaters—an increase of 25 per cent capacity. It cut down on its meal offerings (charging for them at times), which allowed the airline to fly with four cabin crew instead of the earlier six. All that changed was the flight number on its ticketing system and a small "Konnect" logo on the exterior of the plane at the front door.

The "Konnect" fleet today has increased to over 18 Boeing 737 and six ATR aircraft. Of the 290 daily domestic departures that Jet makes every day, 180 are "Konnect" flights. Adding departures for JetLite, over 72 per cent of the departures made by the Jet Group are on low cost services.

It is not just Jet, even Kingfisher Airlines, whose flamboyant Chairman Vijay Mallya swore by his five-star airline offering, has changed tack. Instead of adapting the planes of Air Deccan, the low cost competitor it acquired in June 2007, Kingfisher found itself starting to drift away from its gourmet meals and inflight entertainment to taking the low-fare route. Like Jet, an estimated 70 per cent of Kingfisher's daily departures are on its low-fare service, Kingfisher Red.

Kapil Kaul, India analyst with the Centre for Asia Pacific Aviation, or CAPA, says it was clear to him as early as 2005 that given India's demographics—the value-conscious business traveller and an increasingly mobile young population—low cost airlines were the models best suited for the country. "Today, 75 per cent of passengers fly low cost," he says—a huge, 180-degree turn from 2003, when the only planes flying the skies were Indian Airlines, Jet and Air Sahara.



Morph in the Skies

How did this come about? At one level, the answer is simple: Because Indians, like people all over the world, care about prices. But, the question that really begs the big answer is how is it that companies like SpiceJet and InterGlobe Enterprises, which runs IndiGo, have been able to keep costs down while running an airline service. And, why is it that others have not been able to copy this model successfully?

First, the handicaps that IndiGo and SpiceJet have to contend with every day. Unlike Europe and America, where low cost carriers such as Ryanair and Southwest Airlines operate into cheaper secondary airports, in India, there were

no such options. As Sanjay Aggarwal, SpiceJet's CEO, points out, the several options for airports and landing strips around New York keeps costs competitive. "The costs an airport offers is a function of competition; that is missing in India." So, while landing charges at the Indira Gandhi International Airport in New Delhi are not very different from, say, Heathrow, what makes for pain in India is that there are no other airports in the capital. Gatwick or Stansted, on the outskirts of London, are 10 to 35 per cent cheaper than Heathrow, to encourage airlines, particularly low cost carriers such as Ryanair and easyJet, to use these less congested airports.

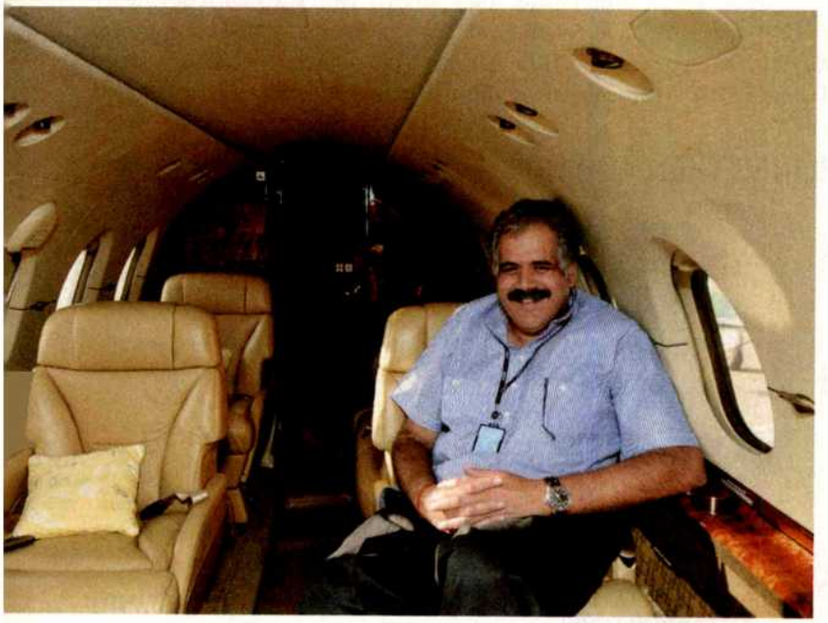
Crowded Indian airports and bunching of flight movements at peak hours put stress on flight timings. Southwest Airlines' famed 20-minute turnaround remains a dream in India, unless it is at an airport at a small city and everything goes like clockwork. SpiceJet and IndiGo record 30-minute average turnaround times but that is a little misleading because in India the definition of the metric is "chocks on, chocks off", which means the time between a plane coming to a halt after landing and starting to taxi for take-off.

Next, aviation fuel prices, driven up by taxes of up to 34 per cent in India, are among the highest in the world. Aviation industry insiders say, depending on how well other costs are under control, fuel costs work out to around 40 per cent of an airline's total operating costs—as much as double elsewhere in the world such as Dubai and Singapore. The high taxation levels in India can really hurt as Indian carriers found out when aviation fuel prices peaked in August 2008. Kingfisher and Jet were losing Rs 5 crore a day and quickly had to cut down on the flights they ran to survive.

Inside the planes, leaner service may mean handsome savings to be made for cabin staff when compared with the West, but salaries for hard-to-find aircraft commanders and pilots remain high—as much as Rs 500,000 a month for expat pilots. And low cost airlines have to pay cockpit crew as much as their full-service rivals do.

Sweat the Asset

But countering all these are several cost advantages that IndiGo and SpiceJet have leveraged to their benefit. IndiGo, for instance, counts its large order book for planes as a big differentiator among airlines in India. It has on order 100 Airbus A320 planes for delivery until 2015, some 27 of which have been delivered. By the end of this year, that would have gone up to 34. Such a large order—second only to Air India's 111-plane order on Airbus—gives the airline not just big leverage while negotiating purchases (10-15 per cent discounts are normal in such deals) but also sweetheart arrangements on spares supplies and maintenance. "The order book gave (IndiGo) the collective power of arbitrage over asset costs," says a person with close knowledge of the purchase decision, declining to be named. IndiGo has received government permission recently to buy 150 more planes starting 2015.



Rahul Bhatia's IndiGo, which has a 100-plane order with Airbus, enjoys huge discounts on supplies of spares and maintenance support

The airline's first CEO, Bruce Ashby, told this magazine in 2008 that one way IndiGo did well was by expanding in a measured fashion. It chose routes that were underserved and built capacity to have 50-60 per cent market share on the routes. Patna to Mumbai, for instance. "You launch one destination and consolidate over there. Each destination has an associated 'launch' cost and you need to employ staff over there. Simply put, you launch a destination with at least two-three-four flights a day," said Ashby, who is now CEO at Sama Airlines in Saudi Arabia.

Both IndiGo and SpiceJet (and indeed others such as GoAir, an airline with the Wadias of Bombay Dyeing as promoters) pack in more seats on each all-economy flight and squeeze the most out of their planes with more flights a day. "We have a high seat density on our aircraft, therefore even if we fill 70 per cent of the plane we can make money," says SpiceJet's Aggarwal. "We also utilise our

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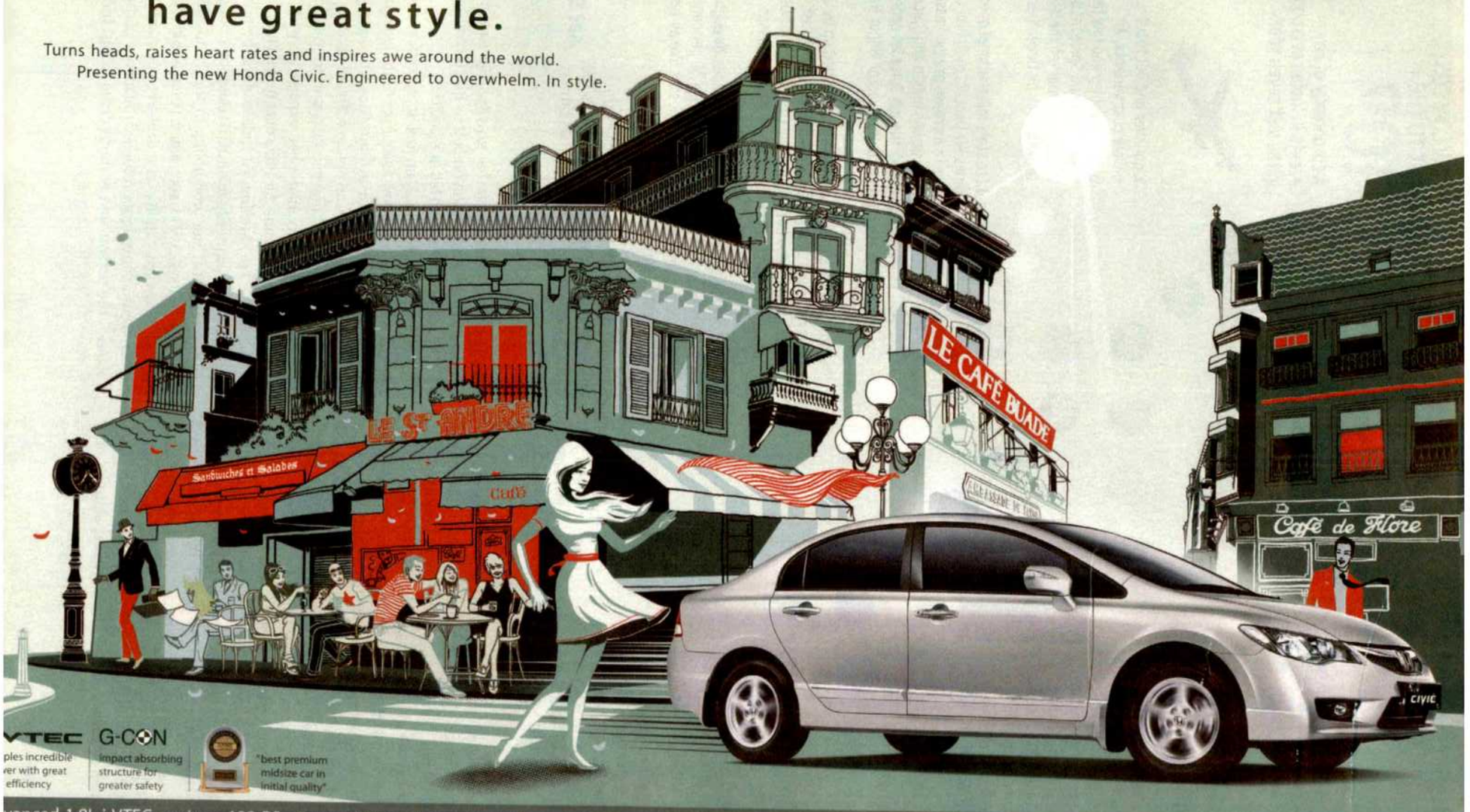

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HOW LOW COST GOT TO THE TOP

A chronology of key events in Indian aviation in the last seven years.

Over 70 per cent of seats on Jet and Kingfisher are low cost. Passenger numbers are up by **over 20 per cent.** Combined share of IndiGo and SpiceJet: almost 30 per cent. In June, SpiceJet investors **Bhulo Kansagra** and **Wilbur Ross** announce sale of 37 per cent stake to media baron Kalanithi Maran. IndiGo, ahead with 27 planes, readies for IPO.

2010

2009

Kingfisher and Jet **focus on low cost variants.** Air India's troubles and low fares help IndiGo and SpiceJet grab 25 per cent market share. Growth back by December.

2008

Mallya gets to start **international operations;** twice renames Air Deccan. High fuel costs force airlines to increase prices. Passenger growth starts slowly. IndiGo and SpiceJet grow unabated, though SpiceJet accepts a cash infusion by US investor Wilbur Ross.

2007

In April, **the loss-making Air Sahara is snapped up by Jet Airways.** Jet renames it JetLite and takes it low cost. Mallya, who wants to keep out Anil Ambani from buying Air Deccan, does a deal with Gopinath, who can't stem his losses.

2006

Air Deccan's public issue in January barely scrapes through. IndiGo begins operations in August. Low fares power a 30 per cent increase in domestic air travel. Support businesses like air hostess training academies sprout and thrive.

2005

May is a big month: the plush Kingfisher Airlines and low cost SpiceJet take to the skies. **Kingfisher's Vijay Mallya orders 50 planes,** including five Airbus A380 super-jumbos, in June but InterGlobe Group stuns with order for 100 Airbus A320s for its new airline, IndiGo. In November, the Wadias of **Bombay Dyeing launch GoAir.**

2004

Air Deccan ramps up operations, with Airbus A320s on metro routes. Sells tickets on sectors such as Delhi-Chennai for **Rs 750, inclusive of taxes.** It's model: RyanAir, Europe's no-frills carrier.

AIR DECC
Simplif

2003

August 23 sees India's first low cost flight: Vijaywada from Hyderabad. It is part of start-up **Air Deccan** set up by **G.R. Gopinath,** operator of a helicopter service.

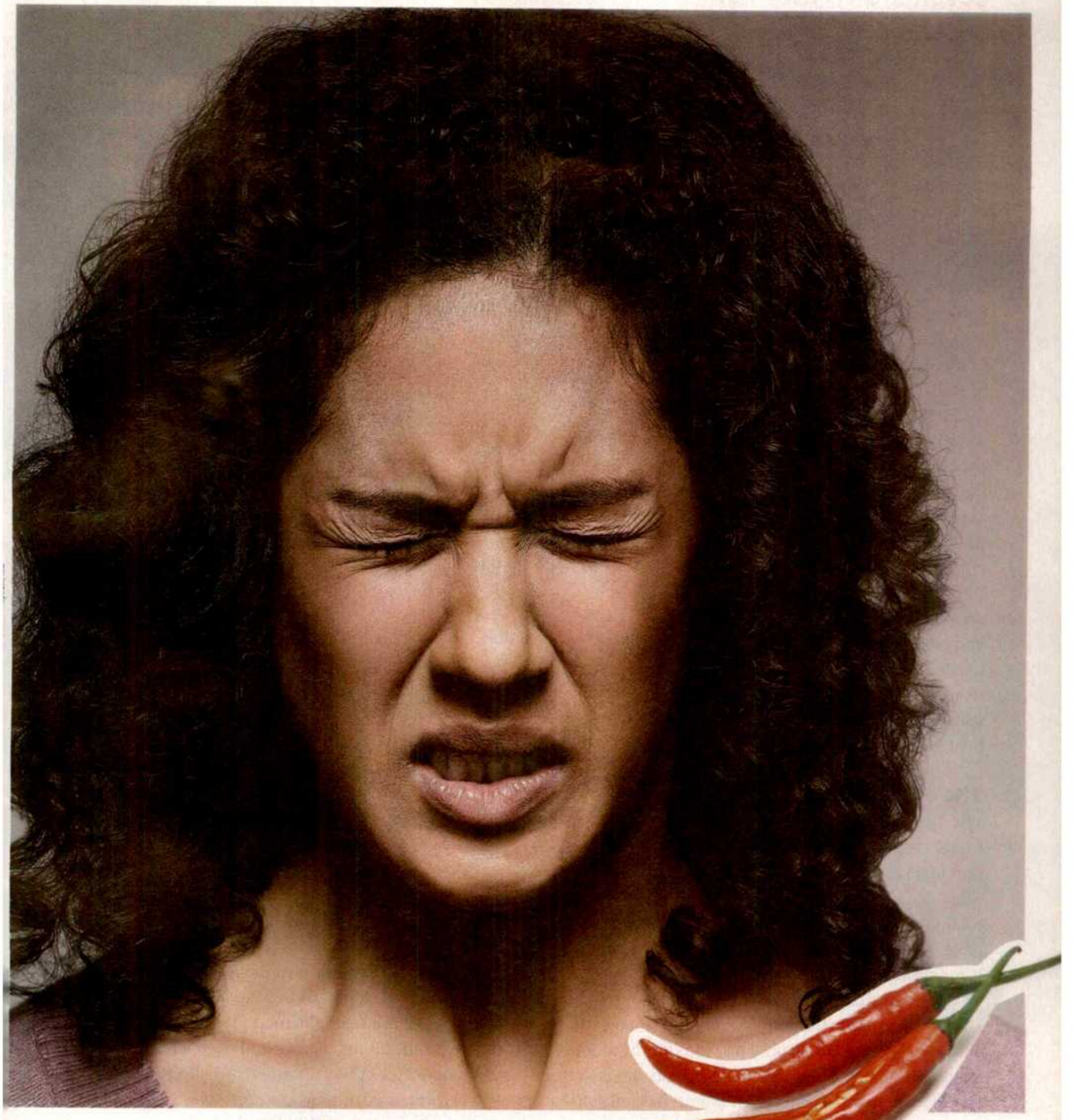
planes a lot better than the full-service carriers... our aircraft spend on average 12.5 hours in the air everyday and work a total of about 17 hours." He reckons that these two factors alone result in a 20 per cent saving on costs.

Not serving food free on planes has a twin effect: they get not just to save money on it but also the weight of food carts and galley structures. This accounts for a 3-4 per cent saving on overall costs. Monetising revenues is also gathering pace. Aggarwal estimates that over a quarter of passengers buy meals when they book tickets and 45 per cent buy a beverage on board. An online distribution model accounts for another 4-5 per cent shaved off costs.

And then there is the way the pilots fly. "It is like driving a car, you can drive safely but in a fuel-inefficient way but equally safely in a fuel-efficient way as well," says the SpiceJet CEO. Pilots are encouraged to climb slowly after take-off, request air traffic control for ideal cruising altitudes, and start their descent earlier so that gravity helps save fuel. Result: a two per cent saving on cost or Rs 20 crore on a Rs 1,000 crore annual fuel bill at SpiceJet.

IndiGo and SpiceJet tank up fuel at airports in states where the tax rates are as low as four per cent: Hyderabad in Andhra Pradesh, Jaipur in Rajasthan or Nagpur in Maharashtra. Sure, this is an option with full-service carriers too but the low cost duo gets discounts from oil marketing firms, who have had a bad experience with the likes of Kingfisher, Jet and Air India over unpaid fuel dues.

The results are showing. At IndiGo, says the person quoted earlier, revenues for fiscal 2010 closed at around Rs 2,500 crore with "net profitability in the 15 to 20 per cent range"—Rs 375-500 crore, which puts it ahead of even SpiceJet by a yard. "IndiGo is a debt-free company and has, on a cumulative basis, returned the money of shareholders," the person said without elaborating. IndiGo



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numbers cannot be independently verified as the company is unlisted. But in the year to March 31, 2009, it had reported profits of Rs 82.6 crore, according to filings with the Civil Aviation ministry. The airline is said to be preparing for an initial public offering later this year.

SpiceJet declared a Rs 61 crore profit for the year ended March 2010 on revenues of Rs 2,242 crore—a considerable improvement over the results the company had been posting in the two preceding years. In fiscal 2009, the airline had a net loss of Rs 352.5 crore and lost Rs 133.4 crore in the year prior to that. (It is important to note that SpiceJet and IndiGo, as also Jet, all improved revenues on the back of sale-leaseback revenues, a common practice among airlines that sell aircraft to boost revenues and then lease them back.)

SHEKHAR GHOSH

"We have a high seat density on our aircraft, therefore even if we fill 70% of the plane we can make money"

Sanjay Aggarwal/ CEO/SpiceJet

The Flight Plan

The future for SpiceJet and IndiGo appears bright, if aviation fuel prices remain steady. They are at about Rs 42,000 a kilolitre today and with crude oil prices rising, the price of jet fuel, which tends to track crude prices with a three-month lag, could be a challenge.

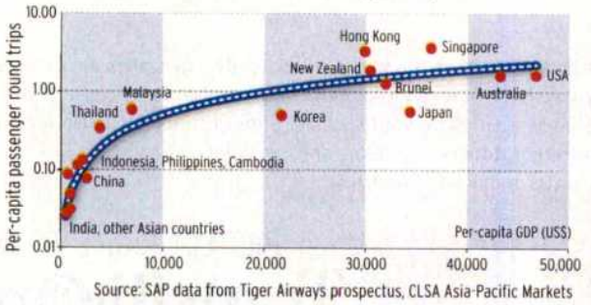
The control of SpiceJet has just been bought by Kalanithi Maran, Chairman of the Sun TV Group, and though the media baron has not announced his plans for the airline yet, analysts do not expect much change in operations strategy and management at the carrier. Maran has not ruled out a name and brand change or a shift of its Gurgaon headquarters. The airline plans to start international operations with a Dhaka flight in August, to be followed by a September start to Kathmandu, and expects to connect Colombo this winter.

IndiGo, too, is clear that it will fly to West Asia and South Asian countries when it completes five years of flying in India, which is a minimum requirement for an airline before it can apply for government permission to fly overseas. But, it does not see itself doing what Tony Fernandes—who founded AirAsia X—is doing: flying low cost services on long-haul routes such as, say, Kuala Lumpur-London. "We don't want to complicate the model; India offers enough and more of a market," says the person familiar with IndiGo's operations. (See *Indian Air Travel: Headroom Aplenty for Growth.*)

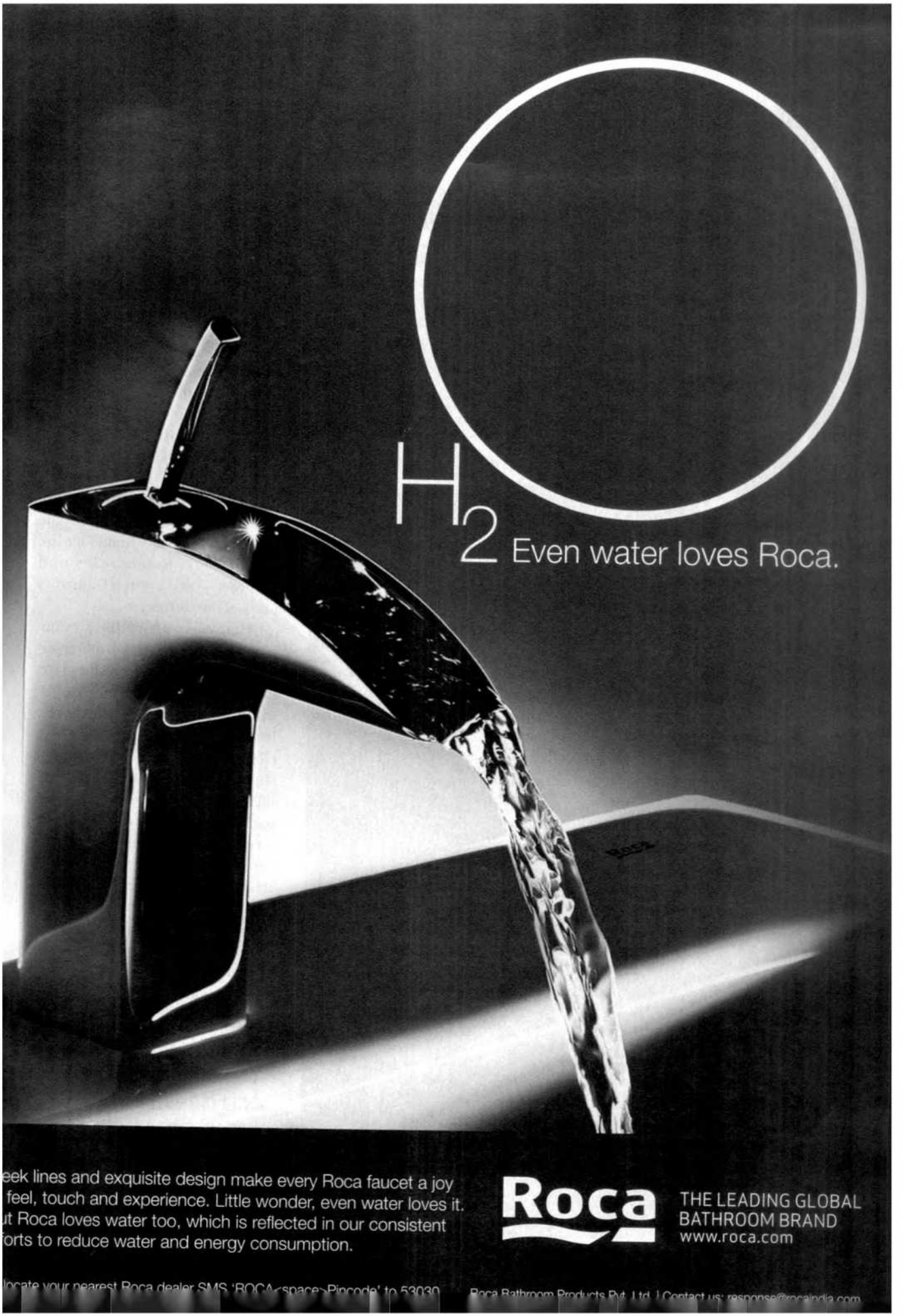
But, there is a looming challenge—Jet and Kingfisher are quick studies and are scrambling to adapt and adopt from their low cost competitors. The introduction of the Konnect service has seen load factors climb to close to 80 per cent for Jet, and the airline is now pioneering a "hybrid" model by introducing eight business class seats at the front of the plane. "We are seeing demand by some passengers for bigger seats, lounge access and on-board food," argues Raghavan, Jet's Chief Commercial Officer.

Hybrid or pure-play low cost, what is becoming increasingly important is what the airline industry calls revenue management. Shorn of jargon, it is the ability to predict the prices at which to sell different sets of tickets on a flight at what time. Typically, airlines sell them in "buckets" that sell at higher and higher prices closer to the flight date. The right call can rake in the moolah for an airline. Last summer, in the middle of a price war, when tickets were being sold for Rs 2,500 on an average, SpiceJet took a calculated risk in not selling Delhi-Ahmedabad tickets for November-December until the last moment. It ended up selling its last few tickets for around Rs 15,000 each as tickets sold out for all rival carriers on that route. ⊙

Indian Air Travel: Headroom Aplenty for Growth



Source: SAP data from Tiger Airways prospectus, CLSA Asia-Pacific Markets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Missing Before Action

Most of India's smaller cities remain on the fringes of the aviation boom. Regional airlines have been non-starters in India, unlike in Europe, the United States and even China.

KUSHAN MITRA

SUMEET INDER SINGH/www.indiatodayimages.com

Back in 2005, several regional airlines were launched. On the pages of national financial dailies, that is. Branded Air Dravida, Indus Air, and Star Airlines, about half a dozen wannabes received licences from the Directorate General of Civil Aviation (DGCA) for operations. They planned to have large fleets of small, short-haul aircraft—made by the likes of ATR, Bombardier and Embraer—and connect various parts of the country.

Most never got off the ground; some did not even get down to ordering aircraft. MDLR Airlines flew for six-odd months between Delhi, Chandigarh and Ranchi on two British Aerospace Avro jets, before closing down operations. Indus Air shut down after a few days of flights linking Delhi, Mumbai and Chandigarh. Star Aviation terminated the services of most of the people it had hired in hopes of starting flights. Result: the small cities these airlines were meant to connect remained missing from India's aviation map.

To be sure, air connectivity has improved to some places. But as the build-out of smaller airports by the Airports Authority of India (see *Network*

"I won't be surprised if some big airlines actively support small regional carriers, once better infrastructure is in place"

Ankur Bhatia
Executive Director/ Bird Group

Failure, page 40) continues, flights have not kept pace. Delhi, Mumbai, Chennai, Hyderabad and Bangalore still account for most of India's air traffic with most flights either originating or terminating in these cities.

The Delhi-Mumbai sector, with almost 75 flights each way every day, is one of the busiest commercial air corridors in the world. Estimates indicate that some 40 per cent of India's air traffic is on this route. In contrast, even among mid-sized cities, barring airports at Pune, Goa, Ahmedabad and Guwahati, most non-metro airports have fewer than 10 flights a day. "It is surprising that there are so few non-metro flights," says Dinesh Keskar, President, Boeing India. "Pune and Nagpur, which are Maharashtra's second and third-largest cities, have been just connected by air and that too on a flight that starts from Delhi." Low-cost carrier IndiGo runs a daily Delhi-Nagpur-Pune service.

IndiGo only recently began a flight between Lucknow and Patna, before which the fastest way between these two state capitals was to connect via Delhi, taking over six hours instead of a short one-hour hop. In Kerala, there are no flights between Thiruvanathapuram in the south and Kozhikode in the north, although both airports receive international flights; a five-hour route via Bangalore in neighbouring Karnataka is the quickest way between the two cities. A train ride takes at least eight hours, and driving most of a day.

If the economic pull of small cities is compelling—think Hindustan Unilever, Nokia, Bajaj Allianz and hordes of businesses that are making a beeline for Tier-II Indian cities and towns—why is it that regional airlines have not taken off despite a benign policy that reduces cost of airlines operations by up to one-quarter? On offer were lower taxes on aviation fuel and a waiver of landing and navigation charges at airports. That, plus operational advantages—smaller planes are easier to fill and those like turboprop ATRs consume less fuel—made for a strong business case on paper.

But the ground realities were different. Most traffic from small Indian cities, experts believe, is to the metros, where airports are not only crowded but also there is no revenue possibilities from servicing regional carriers. For instance, says Ankur Bhatia, Executive Director, Bird Group, a travel and technology business: "I am not sure Mumbai airport authorities will accept a small plane flight request right now." Then, he points out, there are delays on the ground. So, a flight from Chandigarh to Delhi may be of only 30 minutes of flying time but when air and ground delays as also the one-hour reporting time at airports are added up, the time saved over a four-hour drive or the ride by high-speed Shatabdi train may not be much.

Another odd feature in Indian aviation is what aviation expert Sadeesh Raghavan, an ex-Accenture Partner, calls the "land grab mentality", referring to the unbridled ambitions of airlines in India to corner market share. This translates into the carriers themselves running services to the few small cities they fly to rather than partnering with small airlines running regional operations like in Europe or the United States.

"In the United States, large carriers such as United, American and Delta outsource their regional flights to other airlines. The regional flights work there because they feed passengers into the larger carriers' major routes," says Boeing's Keskar. The Indian aviation industry may move towards that model once the metro and big city routes get saturated. After 2012, Keskar predicts, "if traffic has to keep on growing at 10-15 per cent a year, traffic will have to move to Tier-II towns".

Another factor that could push that towards reality, as aviation entrepreneurs such as G.R. Gopinath have argued, will be the revival of some 40 non-operational airstrips in India, in places such as Meerut and Warangal, several of which are not capable of handling large commercial jets. Such airstrips make for ideal destinations—with limited competition—for regional carriers using smaller planes and could feed into the larger airlines, as Keskar says.

Bird Group's Bhatia, who says he nurses regional airline ambitions, is still hopeful. "I think the big airlines have seen what happens through unplanned growth, and I won't be surprised if some of them actively support small regional carriers, once better infrastructure is in place," he says. Until then, regional airlines look set to stay where they are—on paper. ⊙

SEVERAL ASPIRANTS, LITTLE ACTION

Airline Companies that received permission to fly regional routes but never took off.

- **Star Aviation**
- **Zav Airways**
- **King Aviation**
- **Sky King Airways**
- **Premier Airways**

Two that did.

MDLR Airlines: Operated an erratic schedule between Delhi, Mumbai, Ranchi, Jamshedpur and Kullu between Mar. 2007 and Nov. 2009. The service stopped after MDLR missed lease payments on its Avro RJ70 planes.

Indus Airways: Liquor baron Kapil Mohan of Mohan Meakin (maker of Old Monk rum) started the airline in Dec. 2006 with two Bombardier CRJ-200 jets operating between Delhi, Mumbai and Chandigarh. Stopped in a few months.

Infrastructure

Network Failure

Despite some marquee projects in the big cities, airports still stand for poor infrastructure. And that is changing far too slowly. K. R. BALASUBRAMANYAM

Sanganer Airport in Jaipur, Rajasthan, is among India's fastest-growing airports, with passenger traffic having increased almost five-fold over the past five years. But the Pink City's airport cannot take the wide-bodied aircraft that most international airlines use, and foreign tourists have to come via bigger airports, using the smaller jets of domestic carriers.

Nor can its runway be extended to the ideal 2,500 feet because there's a national highway at one end and residential colonies at the other. Ergo, at the present rate of growth, the airport is likely to be saturated as early as four years from now: fiscal 2014.

So, the state government is getting a second airport built, at Viratnagar, 63 km from Jaipur. Rajasthan Aviation Infrastructure, a private enterprise, is building what it calls a multi-modal logistics hub that will also handle the incremental passenger demand.

"Cargo will form the primary revenue driver. We should see the first aircraft land at our airport by 2014," says Mark Martin, Chief Operating Officer, Rajasthan Aviation.

Jaipur's second airport is also the country's first to come up within 150 km of an existing airport. India's Greenfield Airports Policy of 2008 makes for such exemptions in rare cases. Other states and regions are likely to get similar clearances, too. Delhi is expected to get one at Greater Noida to the east of Delhi that will take care of traffic into west Uttar Pradesh. Congestion at the crowded Mumbai airport, hemmed in by slums, could be eased by an airport at Navi Mumbai east of the port city.

Going by Jaipur's example, the Union government's approach to civil aviation is markedly different from what it does in the road and rail sectors, with infrastructure being set up

Grounded: A new regional airport needs 60 flights a day to be viable. Existing ones get 10.

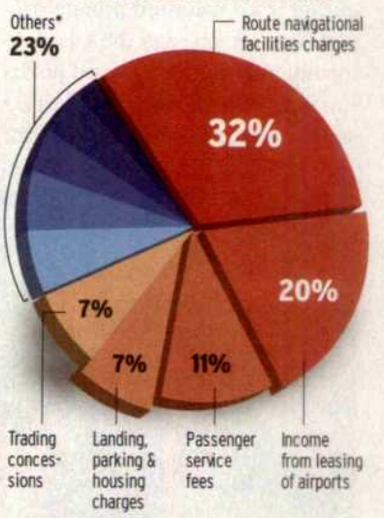
before saturation point is reached. At several places, airports have been or are being built in anticipation of demand. The Airports Authority of India (AAI), the country's airports regulator, and its joint venture companies, are preparing to tackle future demand by building larger terminals, more parking bays for planes and extending runways.

Several others, too, are taking the initiative to build so-called regional airports, which have state government participation. So far, the Union government has approved new airports at Mopa in Goa; Sindhudurg in Maharashtra; Shimoga, Gulbarga, Hassan and Bijapur in Karnataka; Kannur in Kerala; Durgapur in West Bengal; Datia near Gwalior in Madhya Pradesh; and Paladi near Ramsinghpura in Rajasthan.

All this is happening at a time that India's big cities have got modern airports. At Bangalore and Hyderabad, new, swank airports on the outskirts of the cities have replaced AAI-owned airports as the main air gateway into the regions. In Delhi and Mumbai, on the other hand, modernisation projects have expanded the old and congested ones. The Indira Gandhi International Airport at Delhi, for instance, opens its new terminal first week of July.

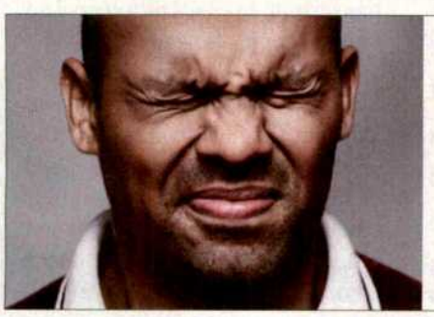
Elsewhere, the AAI is upgrading 13 major airports, including those at Chennai and Kolkata, and 35 other non-metro airports—spending a total of Rs 12,500 crore on these projects.

TOP 5 AAI REVENUE DRIVERS



*Others include: Terminal navigation landing charges, rent & services, other misc income, cargo revenue, interest on term deposits, public admission fees
Source: AAI, 2008-09

That may be just the beginning in this decade. Civil Aviation Secretary M. Madhavan Nambiar estimates that India's airports will be ready to handle over 300 million passengers, including foreign travellers, annually by 2020—up from a little under 100 million currently. To build out this capacity, investments needed



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will be around $30 billion, including projects costing some $9 billion already identified.

Analysts say the country could have about 1,000 planes in the sky up from the current 400-odd by 2020 to ferry around the domestic passenger traffic of around 180 million.

Funding for airports development of that scale will need private support. Not very long ago, the AAI was in a position of comfort; it used profits earned from large airports to develop smaller and not-so-healthy airports.

SHEKHAR GHOSH

After it lost control over four major airports—Delhi, Mumbai, Bangalore and Hyderabad—to private operators (it receives a near-half share of revenues in Delhi and Mumbai), its source of revenue is thinning.

In 2008-09, for instance, when private airports became operational in Bangalore and Hyderabad, the AAI lost Rs 125 crore and Rs 170 crore in revenues, respectively. By the end of that year, the number of profit-making airports under the body declined from 11 to nine.

The way volumes are poised to grow, then, suggests private airport operators have healthy returns ahead in the years to come. A glimpse into the valuation of the unlisted Bangalore International Airport Ltd was available last year when GVK Power and Infrastructure—also the operator of Mumbai International Airport Ltd—paid a huge premium to pick up a 29 per cent stake in the Siemens-led Karnataka project for about Rs 1,175 crore.

Still, private and foreign investors are wary of investing in the sector because of age-old problems with land acquisition and road connectivity from a new airport site. "For India's growth story to percolate to its interiors, regional airports are vital. The government must develop a low cost airport model to facilitate the viability of the regional airports," says Amber Dubey, Director of the Aerospace Practice at consultancy firm KPMG. One innovative model, he suggests, could be making a state government and the urban local body key stakeholders in an airport project. Some municipal bodies in Europe patronise airlines with incentives for bringing passengers into their town.

Another reason could be India's nascent aviation industry. A regional airport at new location can be viable only if it gets on an average of 6,000 passengers and 60 landings by short-haul aircraft a day (see *Face the Numbers*). In comparison, most regional airports today are getting between two and 10 flights a day. The challenge, however, can be overcome if the government treats air connectivity as one of national importance and extends fiscal and other incentives, Dubey of KPMG suggests.

The benefits could be enormous, especially in agriculture and floriculture, which suffer from supply chain bottlenecks without airports. One example the Indian airline industry points to is in the increase in horticulture and agriculture off-take from the North-East after airline connectivity improved. Farm produce from the region that could typically take up to two weeks to reach the markets of New Delhi or Bangalore, now reaches within four days, with local logistics companies taking advantage of flights by the likes of IndiGo and Kingfisher that carry cargo in the belly of their planes to compensate for sub-optimal passenger loads. Industry and tourism could also gain.

Airports and airlines make for the classic chicken-and-egg situation. Without the infrastructure on the ground airlines cannot expand and unless the carriers increase their reach into India's smaller towns and cities, the benefits of the efficient connectivity will not spread. ⊙

FACE THE NUMBERS

What it takes to build a regional airport and make it viable.

Land + Construction (air-side)	Rs 200 cr
Operating cost per annum	Rs 5 cr
Depreciation (@10%)	Rs 10 cr
Debt: Equity	60:40
Interest (@ 12%)	Rs 7.2 cr
RoE(@20% post tax)	Rs 16 cr
Target revenue	Rs 40 cr
Rev per pax	Rs 200
Pax required per annum	2 million
Pax per day	6,000
No of ATRs required per day	60
Likely no. of ATRs landing per day	2-10

Pax: Passengers Source: Amber Dubey/ KPMG

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Offset Policy

Plane-maker India?

It is difficult to imagine India as an aviation factory destination. But if its civil and defence aircraft needs continue to grow, that could soon be reality.

K.R. BALASUBRAMANYAM

Until 2006, aerospace remained a barely-noticed business in the Tata Group fold. By February 2008, the conglomerate was giving finishing touches to a plan for a manufacturing plant at Hyderabad for helicopter cabins. The spur was a deal it had signed with Sikorsky, a Connecticut, US-based helicopter maker. That contract helped the Tatas step into the specialised market for aero-structures. In the last two years, the Mumbai group has forged tie-ups with Boeing, Augusta Westland and SAAB, all global aerospace biggies.

The tipping point for such partnerships and exports, which stood at just Rs 350 crore in fiscal 2007, says Rahul Gangal, Senior Vice President, Religare Strategic Advisory, was the change in defence procurement rules the Indian government announced in 2006. The Defence Procurement Procedure Rules require foreign companies to sourceproducts or services from Indian vendors worth 30-50 per cent of the deal value in defence and aviation contracts for capital purchases exceeding Rs 300 crore.

The benefits of the offset purchase policy, as it is commonly referred to, accrue not just to government-owned defence production units but also "to private Indian industry engaged in the manufacture of defence systems and equipment", Defence Minister A.K. Antony told Lok Sabha in December 2009. Offset deals worth nearly Rs 9,000 crore have already been signed by the likes of Rosoboronexport Russia, MiG, Lockheed Martin, Boeing, and Israel Aerospace Industries, according to the minister.

With India stepping up military hardware and software buying, that opportunity will top $10 billion by 2012, trade body Assocham estimates. Yes, this covers non-aviation purchases as well, but the big action is indeed in aviation. Consultancy and audit firm Pricewaterhouse Coopers recently ranked India second only to China as a worldwide destination for aerospace manufacturing investments.

A $2.1-billion order by the Indian Navy to buy eight P-81 reconnaissance planes from Boeing, for instance, resulted in offset deals to purchase aviation electronics and aerospace structures from Larsen & Toubro, Wipro and HCL Technologies, and government-owned units Hindustan Aeronautics Ltd. (HAL) and Bharat Electronics—worth $600 million.

The Indian Air Force's plan to buy 126 advanced fighters worth some $10 billion, which has attracted suppliers like MiG, Boeing, Lockheed Martin and EADS, also holds lucrative offset opportunities. Aircraft orders worth some $ 3.5 billion by state-owned Air India and Indian Airlines (the two have since merged) to Boeing and Airbus Industrie have resulted in technology, manufacturing and software offset contracts for Tata Consultancy Services to HAL.

Landing the aviation offset deals, however, is not going to be easy just because a policy is in place. Indian firms need to invent or borrow technologies and build on their capabilities if they want to climb the value chain and bag deals for high-end components. One instance illustrates this well: In November 2008, Bell Helicopter said it was withdrawing from bidding for a $1 billion contract to supply 197 light helicopters to the Indian Army because it was unsure if Indian industry would be able to supply the offset volume. Bell found that except for HAL, the local in-

Offset benefits: New orders for aircraft mean technology, manufacturing and software contracts for Indian firms

INDIA'S OFFSET BEELINE

Global vendors in India...

- EADS
- Airbus
- Boeing
- SAAB
- MiG
- Lockheed Martin
- Israel Aerospace Industries
- Sikorsky
- Rosoboronexport Russia

... and local partners.

- Larsen & Toubro
- Wipro
- HCL Technologies
- Hindustan Aeronautics
- Bharat Electronics
- Tata Consultancy Services

dustry was still in its infancy and might struggle to supply goods or services of nearly half a billion dollars in the contract tenure.

Perhaps, it was in recognition of such instances that the government is a little flexible when it comes to inking offset deals in the civil aviation sector. Industry insiders say there is not much clarity on how Boeing and Airbus have gone about their offset procurements in the Air India contract but they have been met through a combination of aerospace and non-aerospace purchases, because there were not enough vendors to place aviation contracts on.

That could change in future. Boeing India said in February that it saw $80 billion worth of business from India in the defence and civil aviation sectors over the next 10 years. Of this, civil aviation—besides Air India, it counts Jet Airways and SpiceJet as customers—alone would make up $50 billion. Boeing has already outsourced gun bay doors and wire harness system for its F-18 Super Hornet fighter jets to HAL, and its Head for Integrated Defense Systems in India Vivek Lall said he expects his company's offset liabilities in India to be between $7 billion and $12 billion in the next decade.

Airbus, meanwhile, has almost exhausted its offset commitments worth $1 billion from the Air India contract. HAL began building doors for Airbus A320 planes as part of the Airbus offset deal, but has progressed beyond that. Airbus India President Kiran Rao said in September 2008 that his company would continue to do business with HAL regardless of offset status. "Because it was based on sound commercial principles, it then becomes something that goes beyond the offsets," he said.

As aerospace and defence supply chains globalise, there is a gradual shift of work to locations that have the maximum competitive advantage in terms of cost. "There are some segments that are either booming or will soon boom," predicts Religare's Gangal. "Some examples could be engineering design, composites, electronics and avionics components, sheet metal work, precision machining, special alloy castings, cable harnesses and connectors, and surface treatment."

In anticipation of such manufacturing capabilities developing, production clusters are already coming up at Nagpur, Bangalore, Hyderabad, and Sadashivpet in Andhra Pradesh. To be sure, these places are many years, perhaps decades, away from morphing into a Seattle or Toulouse, homes to manufacturing by Boeing and Airbus/ATR, respectively—or even Tianjin, which has an Airbus factory—but it is a beginning. A start towards aviation factories in India. ⊙

Air Cargo

Flight Plan Ready, But Runway Needs Work

The industry can grow by over 20 per cent a year–if key infrastructure projects are done in time. K.R. BALASUBRAMANYAM

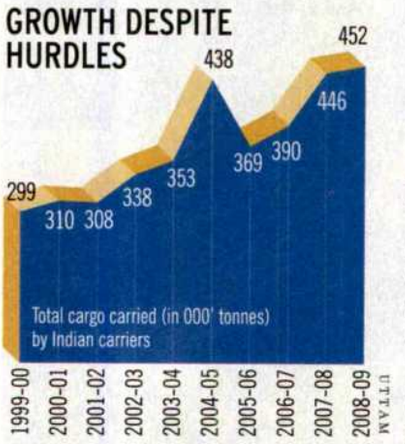
An industry body got a new chairman, a company files its results and an equity stake is taken. These three unrelated events over the past few months, taken together, have lifted hopes in India's air cargo industry.

First the appointment: David Bronczek, President and CEO of FedEx, has taken over as Chairman of the International Air Transport Association (IATA), the airline lobby. As boss of the world's largest air express company with over 600 aircraft in its fleet, Bronczek is expected to bring cargo perspective to a body so far dominated by passenger airlines.

Earlier, Blue Dart, the market leader in air freight, had reported a 24 per cent increase in revenues (Rs 258 crore) and a 103 per cent rise in net profits (Rs 24 crore), year on year. And Mukesh Ambani, Chairman of Reliance Industries Ltd, announced the acquisition of a stake in Deccan 360, the cargo start-up promoted by G.R. Gopinath.

Good indicators for an industry that would rather forget 2008-09, whose hangover continued till last year, when in September 2009, Air India suspended its freighter service connecting Chennai, Bangalore and Mumbai to Europe.

There is greater visibility today. The Airports Authority of India (AAI) sees cargo volumes growing by six per cent this fiscal, with the market increasing to Rs 13,300 crore and 2.6 million tonnes by volume by 2011-12. Between this year and 2017, the growth will be eight per cent on the international sector and six per cent on the domestic sector.



CARGO LEADERS

BLUE DART
PARTNER: DHL
REVENUES: Rs 905 crore (Jan.-Dec. '09)
FLEET: Three Boeing 737 and Four Boeing 757 freighters

AIR INDIA CARGO
PARTNER: None
REVENUES: Rs 800 crore
FLEET: Six Boeing aircraft B737-200 and Four Airbus A-310

DECCAN 360
PARTNER/STAKEHOLDER: Reliance Industries
REVENUES: Not available
FLEET: Eight freighter aircraft

Hot Projects

The Ministry of Civil Aviation is giving a hard push to build an infrastructure that can support a robust air cargo market, although the industry in India is still a fledgling by global standards. (FedEx alone has more aircraft than Air India's 159 aircraft). In January 2008, the government allowed foreign direct investment of up to 74 per cent in cargo airlines, against 49 per cent earlier.

Among the big plans: a multinational international cargo hub at centrally-located Nagpur, and privately-built cargo airports in West Bengal and Madhya Pradesh, and a multimodal logistics hub in Rajasthan.

The government is also spending Rs 830 crore to give the existing airports the best infrastructure. Air India and Singapore Airport Terminal Services (SATS) are forming a joint venture to house their three existing ground and cargo handling joint ventures in Bangalore and Hyderabad.

Air India is increasing its cargo capacity, having converted six of its older B737-200 into freighters, and wants to enhance its share in India's international cargo market to over 25-30 per cent. Air India gets Rs 800 crore from cargo operations—that's five per cent of its turnover of Rs 17,000 crore.

At Jet Airways, cargo already fetches 12 per cent of revenues from international operations and four per cent from domestic operations. Jet's aim: raise the foreign cargo's share to 15 per cent and domestic share to six per cent. Kingfisher is also trying to raise cargo revenues.

Headwinds

Cargo operators face plenty of hidden costs. A study by Amarthi, a Hyderabad-based consulting firm, has shown that the adjusted average freight revenue per tonne-km in India was about Rs 3.50 against about 90 paise in the United States and less than Rs 2 in China and Japan. For users, this is bad news. The Amarthi report points out that the challenges in this segment include high airport charges and varying taxes on aviation turbine fuel.

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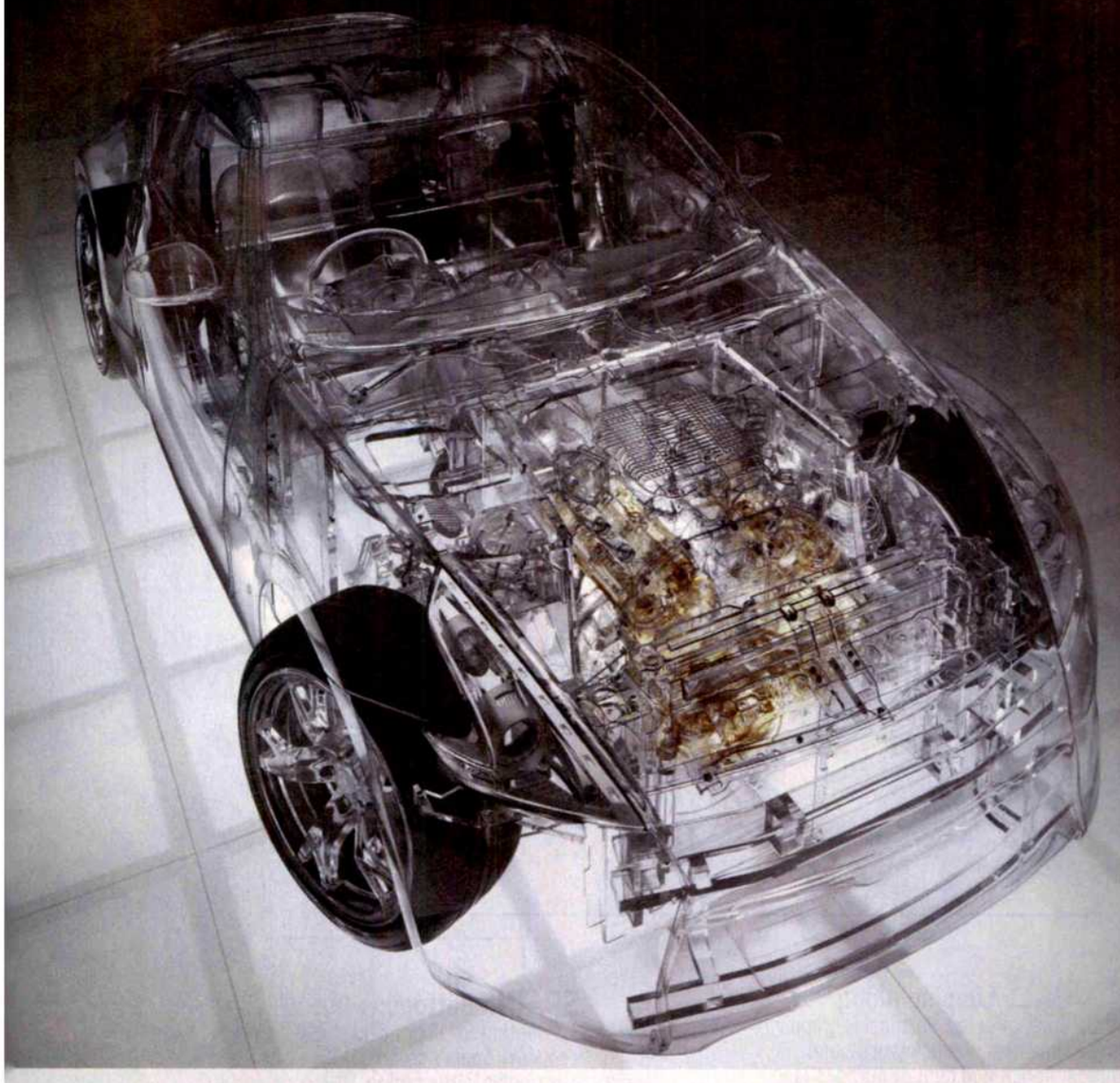

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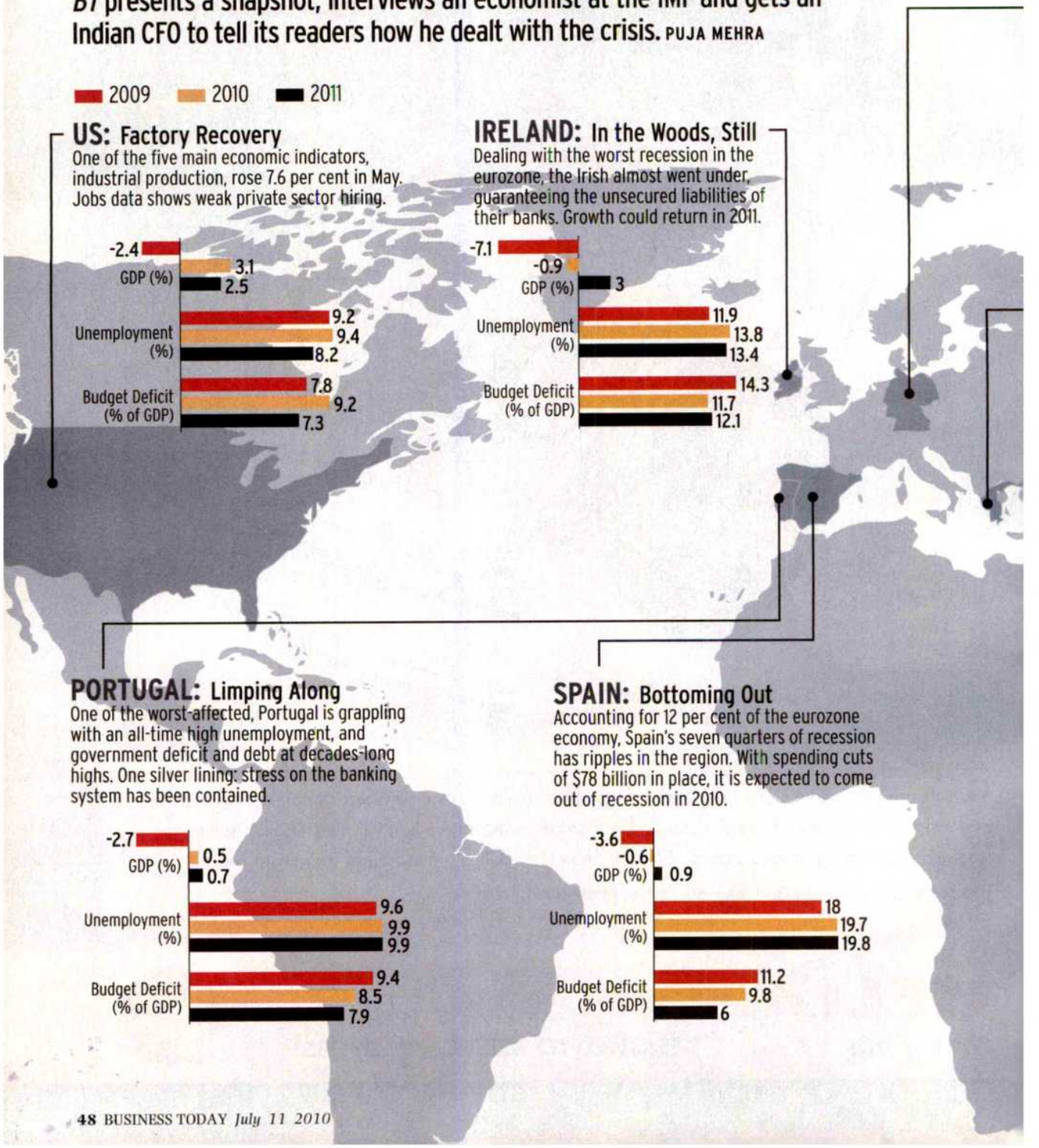
DESIGNED TO MEET CHALLENGES

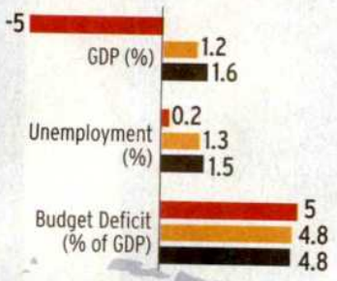
The European Debt Crisis

Bailouts seem to have contained a debt crisis in Europe that briefly menaced the US stimulus-fuelled global economic rebound. At least for now. *BT* presents a snapshot, interviews an economist at the IMF and gets an Indian CFO to tell its readers how he dealt with the crisis. PUJA MEHRA



GERMANY: Bailout Capital

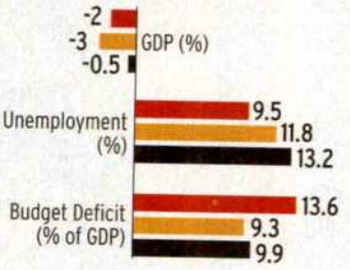
A severe slump starting 2008 reversed in the second and third quarters of 2009 but weak domestic demand saw the momentum slowing. Exposure to PIIGS debt and toxic assets at its banks make for big risks.



PIIGS: Portugal, Ireland, Italy, Greece and Spain

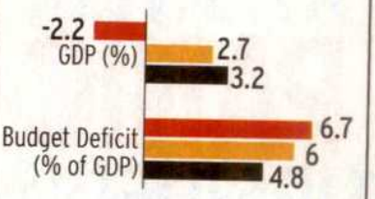
GREECE: Junk Status

The Greeks had a shocker in Oct 2009: a budget deficit more than double the six per cent reported earlier. Despite a lifeline of $1 trillion from the EU and IMF, Moody's has cut the Greek government's bonds to "junk" status.



WORLD: Is the Worst Over?

Countries with government deficits of 10 per cent of GDP or more made for 45 per cent of global output in 2009, up from near-zero in early 1990s. Still, 2011 may see an indebted world's output growing again.

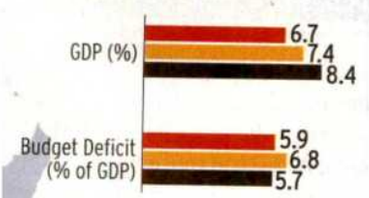


EURO: At the Edge

The Greece sovereign crisis has been in the making since the US-triggered global downturn of 2008. The EU economy shrank by four per cent the year after; factory output dropped by 15 per cent. One in 10 people are without jobs (23 million in all) today. Increased government spending to support the economy had public debt climbing by a fifth. And now the European Commission has warned government debts of Cyprus, Denmark and Finland seem a threat to the wider European economy. Already the euro has lost 6 per cent against the US dollar since January. A normal response to such a crisis—the worst since the creation of the eurozone in 1999—would be devaluation. But that is not an option given the euro is a currency of 16 countries. One suggestion is a two-tier Euro, one for the fast-recovering countries and the other for the laggards.

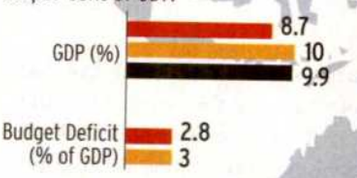
INDIA: Strong Rebound

Economy chugs on, resilient: 17.6 per cent rise in April industrial output and GDP growth for Jan-Mar quarter at 8.6 per cent. Over Rs 1,00,000 crore from 3G auctions eases fiscal deficit.

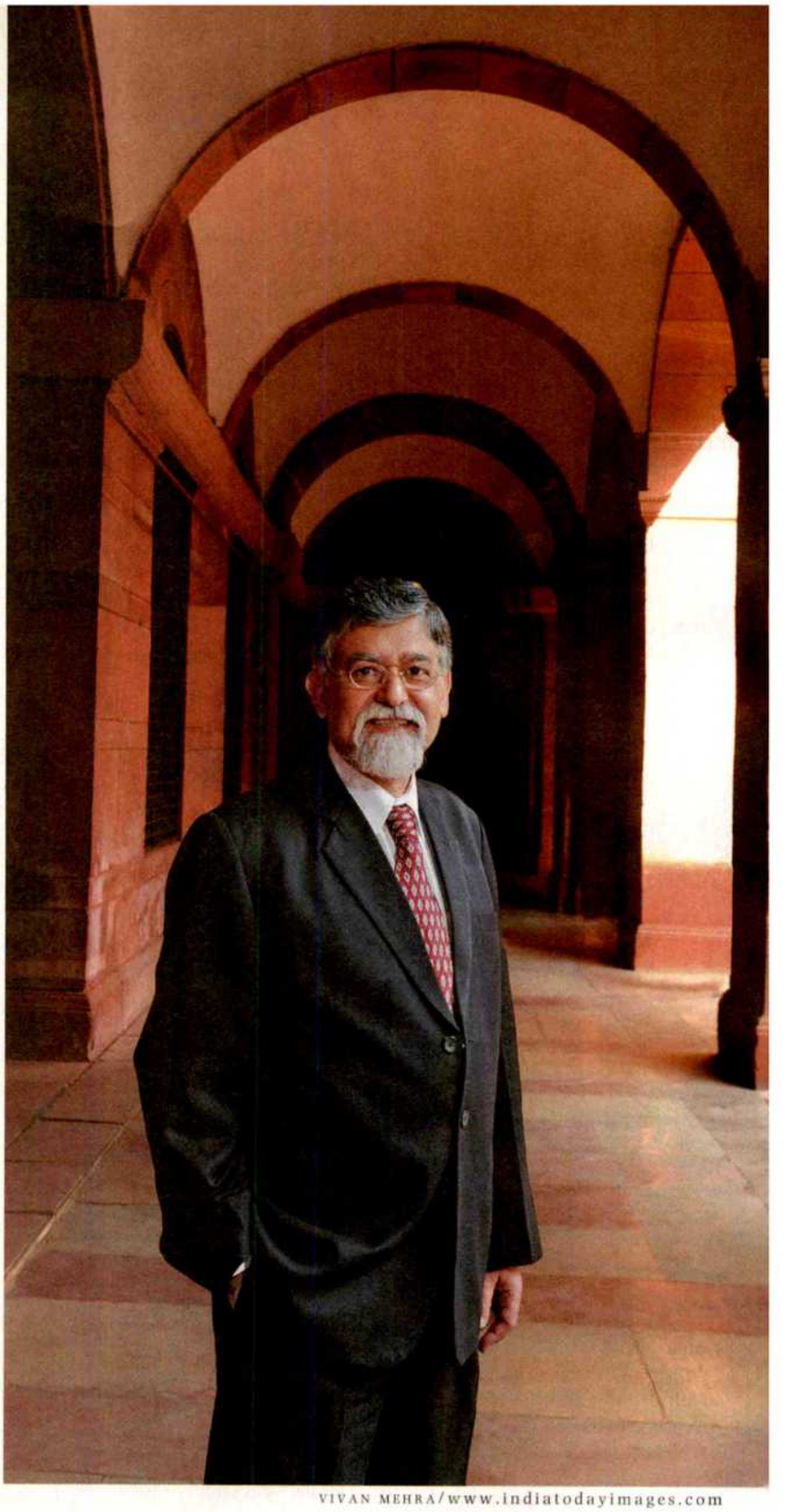


CHINA: Combative

If local government borrowings of some $556 billion in 2008 are included, China's real fiscal deficit for 2009 rises to 15 per cent of GDP. Even if China absorbed all such debts, total public borrowing would remain safely below 60 per cent of GDP.



Source: Actual and projections from BT Research, European Commission, World Bank and IMF
Note: Data for all countries is for calendar years, except India, which is for fiscal years



VIVAN MEHRA/www.indiatodayimages.com

ARVIND VIRMANI

"COLLAPSE AVERTED, PANIC SUBSIDED"

ARVIND VIRMANI, *Executive Director for India, at the International Monetary Fund, was in New Delhi in the third week of June to brief officials in the Ministry of Finance on the European debt crisis. He spoke to* BUSINESS TODAY'S PUJA MEHRA *in an exclusive interview and was optimistic that the world economy was recovering and would avert a double-dip recession.*

What are your views on the depreciating euro and the suggestions about moving to a two-tier euro–one for the major northern European countries growing at a healthy pace, and the other for the peripheral southern ones that are likely to remain in pain for several years?

A euro collapse has been averted and the panic has subsided. The recent agreements between the EU ministers have considerably calmed the markets reducing the probability of contagion. The sovereign debt crisis will have no relation to India as long as there isn't a breakdown in the EU, the probability of which is at the moment low, too.

The European debt crisis is otherwise positive for India because India is one destination for investments where risk isn't going to rise. Other than that, the crisis is a problem of liquidity in the markets which the Federal Reserve in the US has shown can be dealt with—something the markets have now realised.

The only risk is if the system

collapses but the markets seem to have concluded, for the time being, that Greece is a small economy in the EU and can be handled without creating much of a problem.

So, the only impact of the European crisis on the Indian economy would be volatility of dollar inflows?

Capital inflows (mainly portfolio and direct investment inflows into the country) will rush in during periods of euphoric global sentiment and fly out when there is panic. India will have to evolve a way of managing the impact of such huge and volatile capital flows to avoid impact on the exchange rate.

What about the recovery in India?

I had said in October 2009, that I personally expected India's economic growth in 2010-11 to be 8 per cent plus and to return to the long-term growth rate of 8.5 per cent to 9 per cent in 2011-12. I stand by my projections. It's hard for me to say right now if the euro has bottomed out. Exporters will have to be cautious.

How quickly should the government withdraw the stimulus it gave to boost domestic demand?

Countries recovering rapidly where GDP isn't strongly affected and only a few channels of finance are affected should withdraw stimulus quickly. India falls in this group. Others where the crisis affected demand more strongly should take longer.

"Crisis doesn't affect India as there isn't a breakdown in the United States, the probability of which is low, too"

couldn't be tracked. Following the chain of these deals and netting them out is essential to figure out who will ultimately suffer the losses arising out of a crisis. This is not the issue in Europe as the repackaging of assets after the exposure of Greece's allegedly cooked books has left nothing hidden. Besides, European markets have recorded only a rise in risk premiums post-Greece, whereas world markets had completely frozen after Lehman had collapsed in the US. It means that this time round the markets have been able to quantify the risk and factor in the ambiguity over the toxic assets on some banks' books. So while there were unknown unknowns in the US, the situation is better in Europe as the unknowns here are known.

Have economies around the world learnt from the US crisis?

Greece's per capita income increased from $13,000 to $30,000 (around Rs 6 lakh to Rs 14 lakh at current rates) in a matter of 5-6 years because it spent like there was no tomorrow. The markets were equally blind to accept Greece's word when it said there is no deficit problem. Where are the "perfect" markets... we didn't see them in Greece. That's the problem. When things are going fine, no one feels the need to do anything.

The concern now is whether the global reform process is grounded in proper economic analysis. Legislative solutions such as the financial regulation reform Bill (Restoring American Financial Stability Act of 2010 or RAFSA) aims to prevent a recurrence of the near-meltdown of big Wall Street investment banks and the resulting costly bailouts. Among its provisions are: new ways to watch for risks in the financial system, easier liquidation of large failing financial firms and a new consumer protection agency.

However, some of suggestions are weaker than what some economists would like. Take the tax on financial transactions being suggested. It would have worked if the problem being addressed was of excessive trading but that is not the problem we are trying to solve. The real problem is that some parts of the deals in the market were outside the purview of regulations. We don't seem to be addressing that.

What about India?

In the Economic Survey 2009-10, I had made a series of recommendations for reforms. The 13th Finance Commission laid down some recommendations for a medium-term plan for fiscal reform in December 2009, which the government had broadly accepted. This is the best time to undertake reforms.

"US had unknown unknowns; it is better in Europe as the unknowns are known"

How vulnerable are the European banks?

The problem of exposure of banks to toxic assets in Europe is different from the US, where there were layers of derivatives because of which they

How is the US recovery going?

Two months ago, the US jobs data surprised on the upside. Subsequent data, however, has gone in the other direction as a result of which confusion persists. Europe has stabilised now and since the data available before Greece happened was good, we will have to watch for a few more months. The US economy is resilient because it is highly competitive.

How Tata Steel Faced the Crisis

Koushik Chatterjee, Group CFO, Tata Steel, on the challenges financial crises pose to business and his mantras of dealing with them, including in Europe.

NISHIKANT GAMRE

When confidence in financial markets was affected in mid 2008, the operating environment was disrupted globally. Lack of capital affects buyers of raw material inputs and customers of goods and services. Therefore, the financial or banking crisis turned into an economic crisis when there was capital contraction in the system in 2008.

Governments across the globe tried to restore confidence in the banking system by backing the banks with additional liquidity to continue business. However, it is still not known what proportion of the toxic assets in the banking system globally has been cleaned up. As long as these toxic assets are a material part of the global banking portfolio, there will be tremors in the system. A new worry is the sovereign borrowing undertaken by the national governments of several countries, especially in Europe. This is a serious issue as the traditional lever of spending out of the crisis is not a feasible one for many of these debt- ridden governments.

As the CFO, one is responsible for ensuring that liquidity is available to all parts of the business. At the Tata Steel Group, the finance team monitors the lead indicators for liquidity in the external environment and plans our capital raising efforts based on these indicators. I'm glad we built a liquidity buffer even when it wasn't required, much ahead of the external volatility. In hindsight, it was a very good step because it helped avert a lot of pain in the system.

The inter-relationship between capital and various parts of the business is very critical and I have focussed on what I call the 5Cs: cost, communication, capital movements, cash flow and capex. They link the financial world with the operating world and need to be embedded in the decision-making process at all levels starting from the very top.

I largely look inside because external influences are what they were. In a crisis, one has to keep an eye on the immediate requirements while also keeping the long-term priority in mind, which could be structural re-alignment of the business itself. The senior management must have all hands on the deck, and they must be seized of the problem and take decisions swiftly without over-analysing ideas.

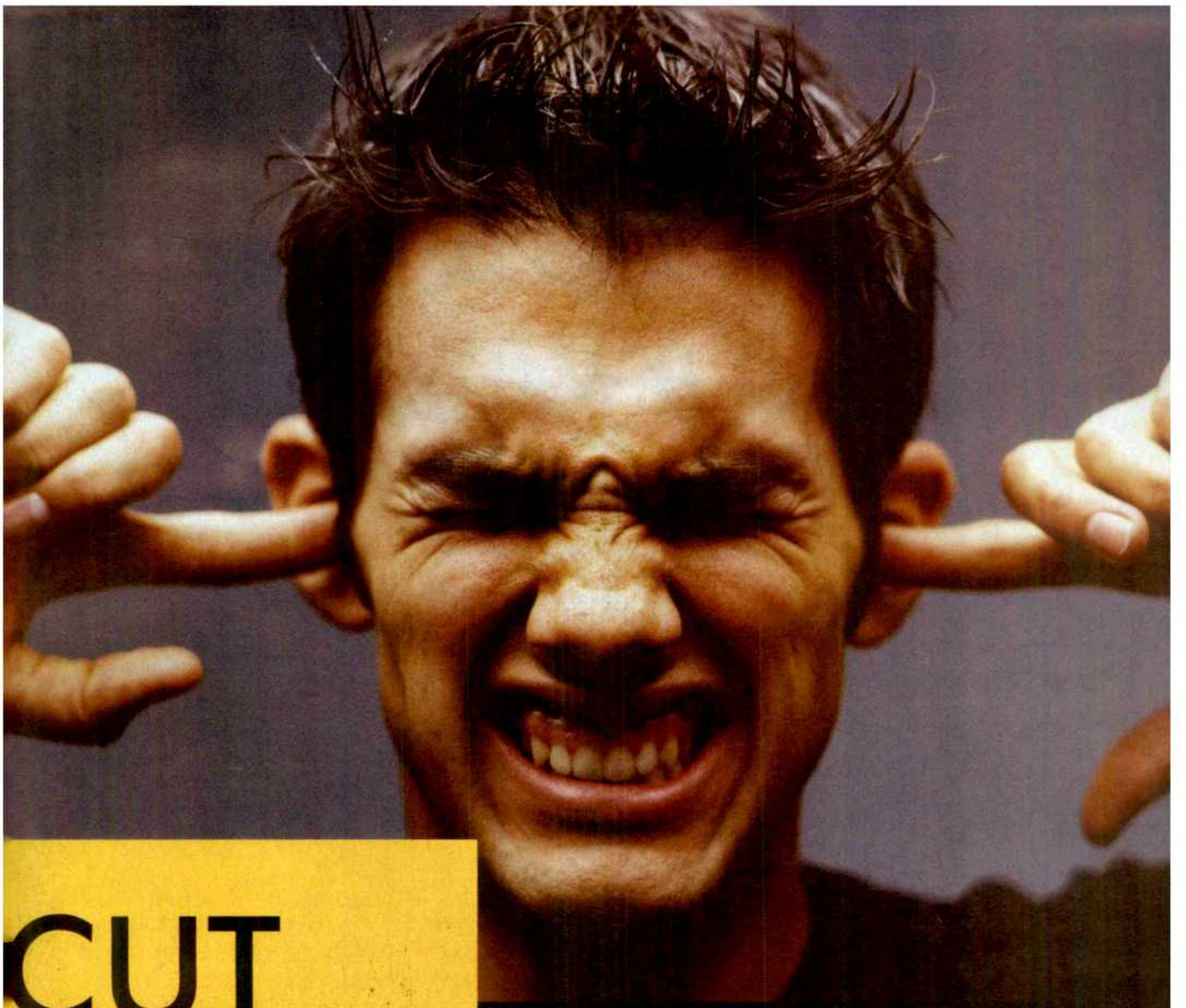
During 2009-10, we have cut, deferred and avoided costs across the entire spectrum; rebased outflows of capital expenditure to essential capex and committed capex, focussed hugely on the working capital strategy to release locked up cash from inventory management and working capital processes—by determining when and how much to produce, what to produce and how much of finished product to hold. We looked at capacity planning across the group and matched it with market demands.

As a company, we have continuously assessed the credit risk of our customers to reduce unforeseen bad debts. It would be no use producing and selling if our customers can't buy and pay within the agreed commercial period. We have identified capex requirements to ensure our long-term future and growth projects are not affected. In Europe, we have restructured, after which our business there is much more robust, though we're always alert.

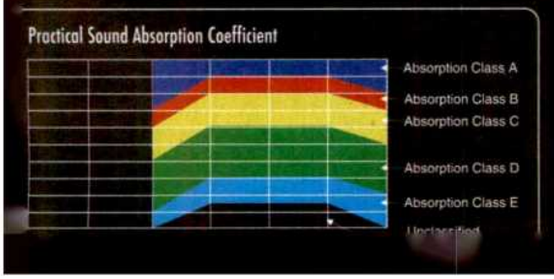
In handling a crisis that is not of your making, sometimes it will seem like balancing on a trapeze, but then you have to keep the mental stability to continue to deliver. If you look down from the trapeze and get scared, your output will be affected. The CFO has a helicopter view of the entire organisation and hence is in the best position to make other colleagues aware of the realities and the actions that need to be planned. ⊙

As told to Puja Mehra

"We built a liquidity buffer even when it wasn't required, much ahead of the external volatility"



CUT NOISE AND INCREASE EMPLOYEE PRODUCTIVITY



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L.N. Mittal's Multibillion Dollar India Gambit

He's made tentative investments in the energy and steel sectors, via joint ventures and acquisitions, but the big bang will clearly come when the chairman of the world's largest steel company freezes his plans to set up a mega-steel unit in the country. So, what's stopping him? K.R. BALASUBRAMANYAM

Date: June 3. Location: The sprawling Palace Grounds in Bangalore, a venue that's played host to legendary rock acts like The Rolling Stones, Deep Purple and Iron Maiden. This event, though, has no screaming guitars and pounding drums. Yet, it doesn't lack high-decibel announcements and posterboy attendance—only, this time, the rock stars are the high priests of big business. The event is a global investors' meet that's aimed at attracting more investments into Karnataka. Some 4,000 delegates turn up, including Azim Premji, Kumar Mangalam Birla, Shashi Ruia and Vijay Mallya. At the end of the two-day corporate carnival, 361 memoranda of understanding (MOUs) that propose an investment of Rs 4.73 lakh crore in 413 projects have been signed. Some 52 of these projects calling for Rs 2.73 lakh crore are in the steel sector.

One of those MOUs in steel is for a proposed 6 million tonnes per annum (mtpa) plant in the iron ore-rich district of Bellary in Karnataka. The man whose name graces this MOU seems the odd one out: Amidst the sea of excitement and optimism, he sits with a bemused look during the MOU-signing spree. Unable to control himself, he finds a moment to sidle up to Karnataka Chief Minister B.S. Yeddyurappa and gently ask him how many of these

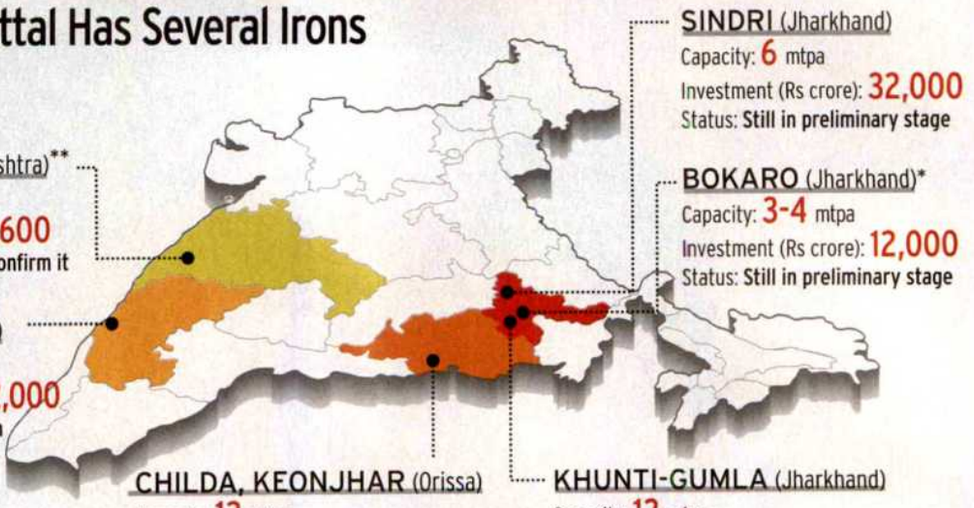
The man who popped the multibillion dollar question: Lakshmi Niwas Mittal, Chairman of ArcelorMittal, the world's largest steel company by revenues ($65.1 billion in 2009), geographical spread (it has operations in 60 countries) and by capacity (109 mtpa).

Mittal's pithy query sums up his predicament and, perhaps, desperation, too. First, the predicament: Mittal has his initials on three MOUs across three Indian states, the first signed way back in October 2005, for a 12 mtpa plant in Jharkhand. Then, in December 2006, he signed another agreement with the Naveen Patnaik government in Orissa for a project of a similar capacity. Current status: Both are non-starters, for various reasons that range from difficulties in acquiring land to lack of clarity on availability of the crucial raw material, iron ore. "ArcelorMittal believes in growing in India. The country needs more and more steel... But to make it happen, you need to have all the elements like ore, land, water, infrastructure. There cannot be a trade-off," said Mittal at the investors' meet.

The man who figures amongst the top five richest men in the world—and the richest in Europe—with a personal wealth of $28.7 billion, finds himself in a spot of sorts these days. Last year, ArcelorMittal plunged into the red, with an operating loss of $1.7 billion; that's in sharp contrast to $12.2 billion in operating income on revenues of

VAN MEHRA/WWW.INDIATODAYIMAGES.COM

Although Mittal Has Several Irons in the Fire...



SATARDA (Maharashtra)**
Capacity: 1 mtpa
Investment (Rs crore): 3,600
Status: **Company yet to confirm it**

KUDTINI (Karnataka)
Capacity: 6 mtpa
Investment (Rs crore): 32,000
Status: **Land acquisition on**

SINDRI (Jharkhand)
Capacity: 6 mtpa
Investment (Rs crore): 32,000
Status: **Still in preliminary stage**

BOKARO (Jharkhand)*
Capacity: 3-4 mtpa
Investment (Rs crore): 12,000
Status: **Still in preliminary stage**

CHILDA, KEONJHAR (Orissa)
Capacity: 12 mtpa
Investment (Rs crore): 50,000
Status: **Land acquisition on**

KHUNTI-GUMLA (Jharkhand)
Capacity: 12 mtpa
Investment (Rs crore): 50,000
Status: **Project relocated to Bokaro**

KULDEEP

All plans are at an initial stage for integrated steel plants; in addition, ArcelorMittal is also keen to put up thermal power plants first, and then gas-based ones later
*Proposed JV with Steel Authority of India **Proposed JV with Uttam Galva Steels mtpa: million tonnes per annum Source: *BT* Research

... There Are Challenges to Setting Up a Project...

Land acquisition: Each steel plant requires at least 4,000 acres.

Captive iron ore mines: There is a long queue of private players waiting for rights, ahead of Mittal.

Naxal unrest: Most mining deposits are in states where Maoists have disrupted the state machinery in remote areas.

Centre-state discord: Most steel-producing states have non-Cong govts. Projects require close Centre-state coordination.

... Yet, India Is Vital for ArcelorMittal's Prospects.

Low consumption: India's steel consumption at 48 kg per person per year is way below the world average of 200 kg.

High-growth steel-consuming sectors: Consumption will treble over 10 years with some sectors needing more steel.

Stagnant west: Steel production is restrained due to environmental concerns, near-stagnant demand and cost of labour.

Raw material: India offers abundant iron ore, coal and high-quality, low-cost human resources.

ArcelorMittal attributes the losses to lower prices and volumes due to a drop in demand. The company produced 73.2 million tonnes (mt) of crude steel last year, for a capacity utilisation of 68 per cent, as against 103.3 mt in 2008 at a capacity use of 94 per cent. ArcelorMittal's total steel shipments during 2009 dipped to 71.1 mt from 101.7 mt in 2008.

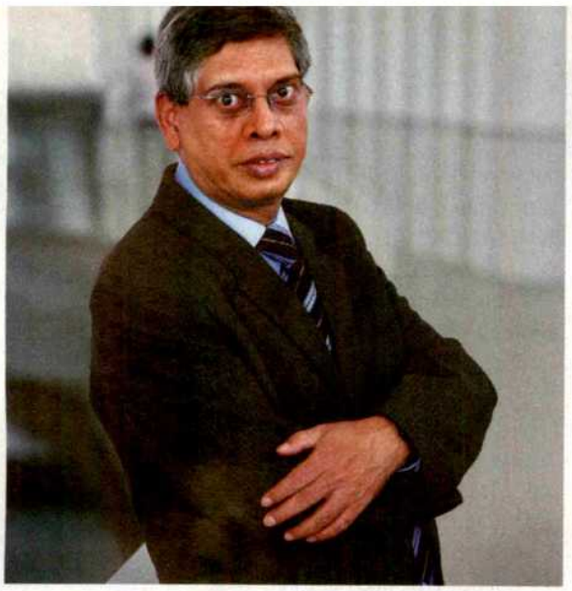
Mittal, who drove a path-breaking merger in 2006 of his Mittal Steel with Arcelor—then the world's second-largest steel maker behind Mittal Steel—isn't used to being under pressure. But there's little he can do when global markets for steel are falling. The United States led the fall in 2009, with a 36 per cent decline in demand, followed by Germany at 28 per cent and Japan at 26.3 per cent.

Against such a backdrop, two countries shone—China and India, where steel production grew at 13.5 per cent and 2.8 per cent, respectively. But whilst China has emerged as the world's largest steel producer (in 2009, it produced 567.8 mt), in India, it's a different story. And there lies the opportunity, not just for Mittal, but for every steel-maker worth his ore (see *Mittal's India Investments So Far*).

India Shining

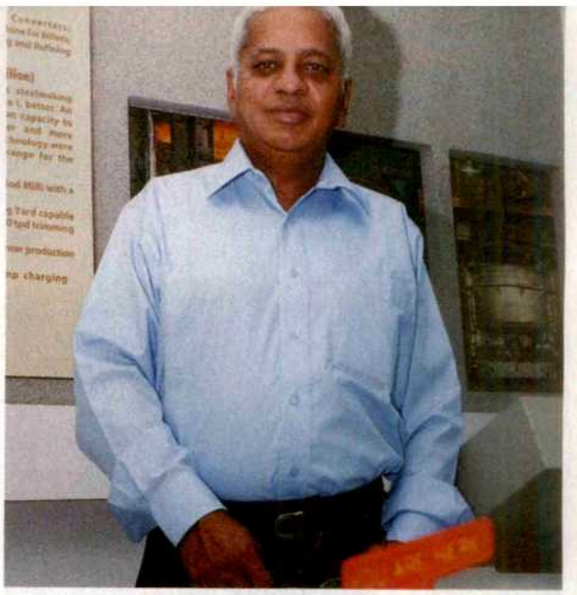
Let's start with India's production figures: Just 56.6 mt last year. Consumption, too, is low at just 48 kg per person per year as against the world average of 200 kg. But that pattern is expected to change dramatically over the next 10 years. Says B. Muthuraman, Vice Chairman, Tata Steel: "India will need huge steel capacity and steel consumption on its way to becoming a developed nation. India, in due course, will grow as well and as much as China has done. (So) we need investments from everywhere." According to Amber Dubey, Director, KPMG India, consumption is expected to treble, courtesy demand from high-growth industries like infrastructure & construction, automobiles, and consumer goods. Steel Minister Virbhadra Singh says India will become the world's second-largest steel producer by 2012 after China, more than doubling its capacity to 124 mt.

Yet, higher consumption may be just one trigger for Mittal's interest in manufacturing in India—ArcelorMittal



Malay Mukherjee, CEO, Essar Steel

"My own sense is that in India, we must create a level playing field for all participants in the industry"



B. Muthuraman, Vice Chairman, Tata Steel

"India will need huge steel capacity and steel consumption on its way to becoming a developed nation"

exported 1.5 mt of specialty steel products to India in 2009-10. The other might be even more crucial: The abundance of iron ore reserves in Jharkhand, Orissa, Chhattisgarh, Andhra Pradesh and Karnataka. To be sure, securing raw material supply is high on Mittal's priority list. His ambition is to increase the group's self-sufficiency in iron ore from 64 per cent in 2009 to 75 per cent by 2015. In other words, he wants to lay his hands on 100 mt of ore annually in five years, up from 60 mt currently. Says Manoj Mohta, Head, CRISIL Research: "Half of the 200 mt of iron ore India produces annually is exported. With expected addition in the mining capacity, there still lies immense opportunity to add value and use iron ore resources for domestic production."

Mittal is keen to have mines dedicated to his manufacturing capacities, or captive mines as they're known. That may explain his proposal to Steel Authority of India Ltd (SAIL) for a joint venture. The public sector behemoth has surplus land as well as copious ore reserves. "We are open to partnerships with global majors like ArcelorMittal. I am sure they will bring their own value proposition. But this particular proposal (with Mittal) is still at a very initial and conceptual stage," S.K. Roongta told *BT* before his retirement as SAIL Chairman on May 31. SAIL has a capacity to produce 13 mtpa currently and Roongta says it is capable of adding another 30-35 mtpa. The state-owned steel maker has also applied for fresh mining leases in almost all the ore-rich states.

Mittal's India Investments So Far

- Rs 500 cr for a 33.8% stake in Uttam Galva Steels (via ArcelorMittal).
- Rs 3,506 cr for a 49% stake in HPCL-Mittal Energy, a JV to put a 9 mtpa refinery (via Mittal Energy Investments).
- Rs 592.50 cr for a 8.79% (post-IPO) stake in Indiabulls Power (via LNM India Internet Ventures).
- Rs 17 cr for a 33% stake in Innovative Clad Solutions (via ArcelorMittal).

LNM India Internet Ventures also owns small stakes in Indiabulls Financial Services, Indiabulls Real Estate and Raigarh SEZ project

The Ore Edge

SAIL and Tata Steel are the only two steel makers in India with captive mines. All the other steel makers buy their raw material from the public sector NMDC and from private miners. Now that's a competitive disadvantage *vis-a-vis* SAIL and Tata Steel. In Bellary district, for instance, while the ex-mine cost works out to about Rs 400 per tonne, the open market rates are about Rs 3,680 per tonne.

As S.K. Gupta, a steel sector veteran currently on the board of JSW Steel, a Sajjan Jindal company, puts it: "There is a difference between cost and price. The steel makers with their own mines get their raw material at a cost, while those without mines pay a price. That adversely affects the margins." According to him, the government has awarded 300 mining leases in the last 18 years, but none of the newer steel plants has bagged them.

States vet proposals for mining rights and recommend grant of a lease to the Government of India. Of late, leases are being recommended to companies that either have their own production units or those that will build plants. However, the award of mining rights has often kicked up dust. At one point in the recent past, mining-related cases made up 40 per cent of all

Shashi Ruia, Chairman, Essar Group

"We have an excellent track record of honouring all our commitments in terms of investment through the MoU route"

cases in the Karnataka High Court, according to a sector observer. JSW Steel, for instance, has moved the Supreme Court demanding that Karnataka honour its commitment to award it iron ore blocks in return for investing in a steel plant in the Hospet region of Bellary district. "In 1995, we were promised mines with deposits of 110 mt for a plant with a capacity of 1.2 mtpa. Today, our capacity has reached 6.8 mtpa, but are producing steel without the raw material security," says Vinod Nowal, Director & CEO, JSW Steel.

With the likes of Mittal and South Korean steel major POSCO on the prowl, the apprehension amongst Indian steel makers is palpable: What if the global giants are allowed to jump the queue for mines? "My own sense is that in India, we must create a level playing field for all participants in the industry. Mineral resources are a national property, and they should be available to the steel industry equitably," says Malay Mukherjee, CEO, Essar Steel. Mukherjee, recruited from SAIL way back in 1993 by Mittal, was the man who signed Mittal's MOUs in Jharkhand and Orissa as ArcelorMittal's India head. According to him, by 2015, India will need 170-180 mt of steel annually, up from the current 55-60 mtpa.

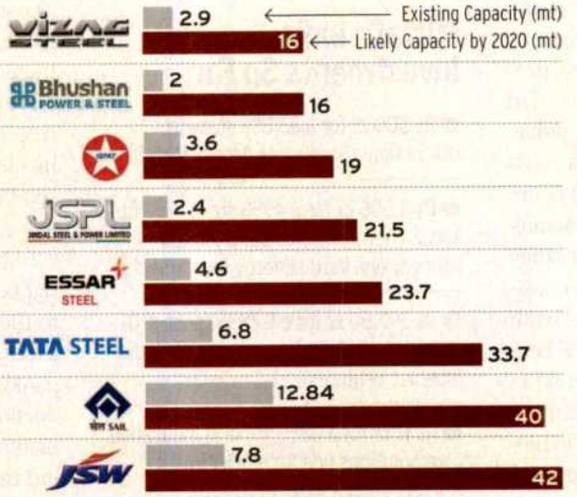
"We are confident we will get mining leases. Without mining leases, we cannot move forward," Mittal declared on June 3, while heaping praise on the Karnataka government for "demonstrating progress" on the proposed project since he met the Chief Minister in Delhi in January. "The proposal is moving faster in Karnataka than in other states," he said. Karnataka has promised Mittal a third of the raw material he needs for the project and a go-ahead to prospect for another one-third. The rest will have to be bought from the open market.

ArcelorMittal has obliged by depositing Rs 260 crore with the state; and land acquisition for the project is underway. But analysts point out that the state government will have its task cut out if it doles out mining leases to Mittal, ahead of the likes of JSW Steel. They add that ArcelorMittal may have to clear a few significant roadblocks, including courts, before it proceeds to start anything on ground. Those hurdles may have been on Mittal's mind at the investors' conference. To a question on when the work on the project was likely to start, Mittal said: "We don't know how many hurdles are still there." But he also added that it would take 36 months once the foundation is laid for the project to come on stream.

So, what happens to the MOUs Mittal signed in Jharkhand and Orissa? A view prevailing in the Indian industry is that Mittal is, in fact, more keen on these two states than on Karnakata. "The signing of an MOU with Karnataka was more to put pressure on the Jharkhand and Orissa governments," suspects a senior executive with a steel company. It is not known whether there is any ground for this hypothesis, but the files have definitely started moving in Orissa. "We have issued preliminary notifications to acquire land for ArcelorMittal. The question of mining leases will be handled separately. We are confident Mittal is not going to pull out of Orissa. The new plant will come up smoothly and peacefully and the government will extend due importance to it," says Raghunath Mohanty, Minister for

MITTAL'S INDIA COMPETITION

Every player worth its furnace is in expansion mode.



Korean steel major POSCO has proposed a 12 mtpa plant in Orissa and a 6 mtpa plant in Karnataka

Source: World Steel Association; Ministry of Steel

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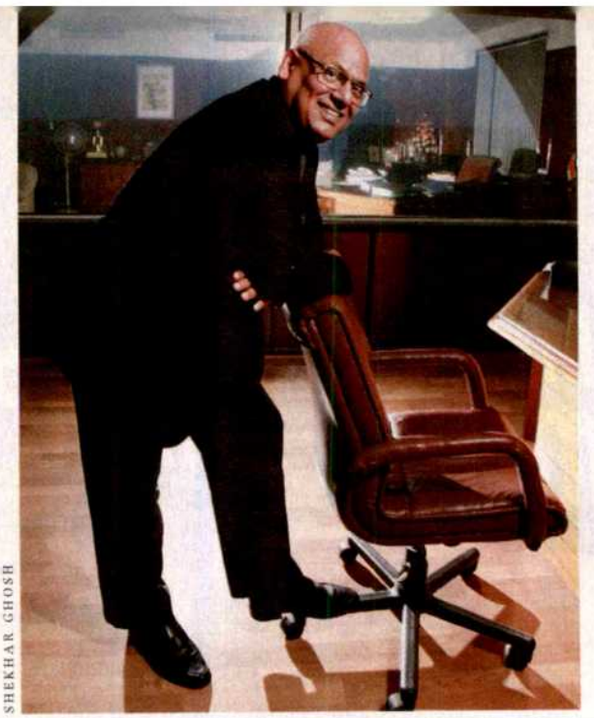
Industries, Orissa.

In Jharkhand, ArcelorMittal is working on one project and examining another; both are in Bokaro district where the government thinks the climate for industrialisation is conducive. "The company is negotiating with farmers to buy their land. It appears serious and will stick to the Jharkhand project. Jharkhand offers them a big advantage in that both iron ore and coal are available to feed their steel and power plants, respectively," says A.P. Singh, Secretary, Industries Department, Jharkhand.

Analysts point out that land acquisition is the single biggest challenge as big, integrated steel plants require over 4,000 acres. Another challenge is that most of the steel producing states are ruled by non-Congress governments: Karnataka has the BJP, Orissa the Biju Janata Dal or BJD, and Jharkhand is in a political crisis. Mega-projects require close coordination between the Centre and states—something that becomes difficult when the party ruling at the state is not the same as the one at the Centre. What's more, the key steel and mining states in India are facing Naxalite unrest. Many of the mines are alleged to be operated either by the mining mafia or Naxalites—directly or through their fronts.



SHEKHAR GHOSH

S.K. Roongta, till recently Chairman of SAIL (he retired on May 31)

"We are open to partnerships with global majors like ArcelorMittal. They'll bring their own value proposition"

New Ground

For Mittal, his Indian adventures mark a crucial departure from the tradition of buying out mostly sick plants—this is the first time he is attempting to build fresh steel capacities. The three MOUs he has signed for a combined capacity of 30 mt will call for some $30 billion in investment—just a wee bit lower than the value of the Mittal-Arcelor merger (which was a $34 billion transaction).

Of course, Mittal isn't the only one with new projects on his drawing board. Essar Steel hopes to expand its capacity from the present 4.5 mtpa to 10 mtpa over the next 12-14 months. "As a group, we have an excellent track record of honouring all our commitments in terms of investment through the MOU route," said Shashi Ruia, Chairman, Essar Group, at the investors meet. The JSW Group is adding 3 mtpa to its 7.8 mtpa capacity and has proposed another 6 mtpa expansion at its Bellary plant.

Mittal did begin his Indian sojourn in steel with an acquisition in September 2009—he owns 34 per cent in Uttam Galva Steels, a Mumbai-based maker of specialty steel products. "We have worked with ArcelorMittal for the last eight months and it is evident that the company is here to stay and grow in the Indian market," says Ankit Miglani, Director (Commercial), Uttam Galva Steels, son of founder Rajinder Miglani. The senior Miglani and Mittal's father go back a long way. Interestingly, Ankit is married to the daughter of Sanjay Singhal, promoter of Bhushan Steel, in which Mittal is reportedly keen to acquire a stake.

Mittal's game plan for India currently appears a mix of big-bang steel projects coupled with smaller acquisitions. Curiously, he's also entered into a joint venture with Hindustan Petroleum for a refinery; and group companies have stakes in various arms of the Indiabulls group, including power. A section of analysts speculates Indiabulls could be his launching pad in India, for non-steel businesses. Mittal, for his part, says he isn't looking beyond steel, not yet. "We are investing in steel, not in other areas. When we do (invest in other areas), we will announce," he told *BT* at the Bangalore investors conference.

Power appears one business that Mittal would love to sink his teeth into. Reports say he has already created a power division in India and hired former Petronet LNG CEO Prosad Dasgupta as its CEO (a query to ArcelorMittal on this by *BT* got no response). Says energy sector veteran V. Raghuraman: "No big group investing in energy-intensive sectors in India would want to keep out of power sector. They can not only meet their captive needs but also tap merchant power opportunities. For a group like ArcelorMittal, the power sector is only a logical step forward." Raghuraman, an independent Director with Suzlon, was also Principal Advisor (Energy) to the Confederation of Indian Industry.

Mittal may be taking his time in India, but the way the global scenario is panning out, he will have to play his India cards pretty soon—and currently it appears he has a fair number of cards up his sleeve. ⊙

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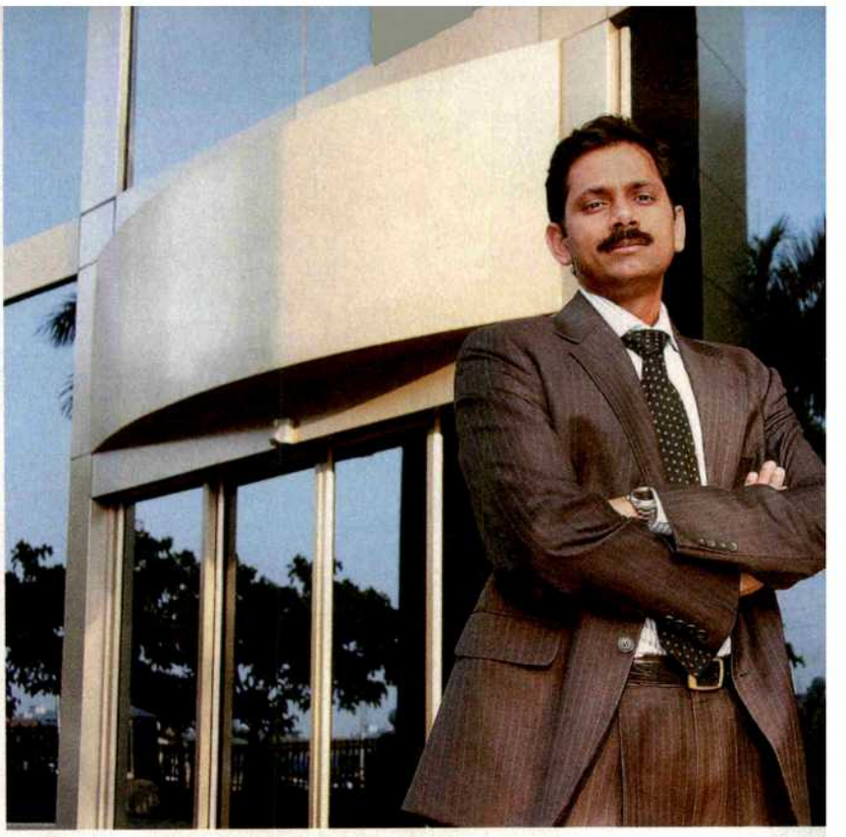


But Where's the Growth?

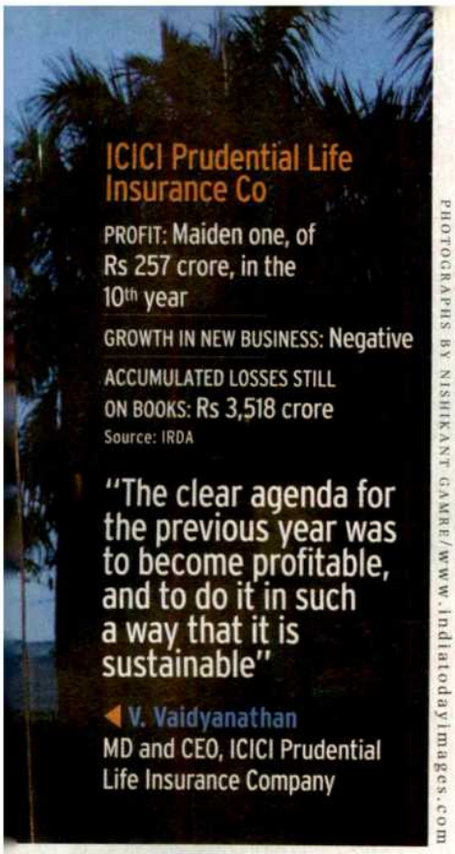
The life insurance sector begins the task of wiping out losses that piled up over almost 10 years. But the focus on profits comes at a cost. ANAND ADHIKARI

A colony of penguins living on an iceberg in Antarctica wakes up one not-so-fine morning to a potential catastrophe. A particularly observant penguin chick called Fred notices that the iceberg is melting and might break into pieces. Fred decides to approach the 10-member leadership council, which runs the affairs of the colony, and which is headed by Louis. Fred meets Alice, one of the members of the leadership council, who, he feels, is less likely to dismiss his melting theory. Alice becomes Fred's voice in the leadership council, which, after much hesitation, decides to visit the melting point. Fred and Alice manage to create a sense of urgency in the leadership council. A team is created to search for another iceberg, and the colony shifts to a new home on a different iceberg just in the nick of time.

This simple fable is based on the work of Harvard Business School's John Kotter, which resulted in him co-authoring a book (with Holger Rathgeber) titled *Our Iceberg is Melting*. The parable was used to good effect in April this year by V. Vaidyanathan, Managing Director and CEO, ICICI Prudential Life Insurance Co, when he held an "interactive CEO forum" in Mumbai.

Vaidyanathan's objective in discussing the tale with some 150 senior managers was to make them aware of the need for change and heroic action amidst a challenging environment. The message he was sending to key personnel at the life insurance subsidiary of ICICI Bank was clear: It was time for a strategic shift. The focus of the company had to shift from growth at any cost to profitable growth and right-selling (as opposed to indiscriminate selling). "If we ignore the danger (of growing without making profits), it's like ignoring the imminent breaking of the iceberg," he warned.

The warning signs courtesy profitless growth have been flashing not just at ICICI Prudential, a 74:26 joint venture between the second-largest Indian bank and Britain's Prudential, but at every player in the 10-year-old private sector life insurance industry. Companies grew at heady levels that ranged between 60 and 100 per cent in the 2002-2008 period. But that growth has been coming at a cost: Huge accumulated losses, with no



ICICI Prudential Life Insurance Co

PROFIT: Maiden one, of Rs 257 crore, in the 10th year

GROWTH IN NEW BUSINESS: Negative

ACCUMULATED LOSSES STILL ON BOOKS: Rs 3,518 crore

Source: IRDA

"The clear agenda for the previous year was to become profitable, and to do it in such a way that it is sustainable"

◀ V. Vaidyanathan
MD and CEO, ICICI Prudential Life Insurance Company

PHOTOGRAPHS BY NISHIKANT GAMRE/WWW.INDIATODAYIMAGES.COM

clear sight of breakeven.

Over the past couple of years, the breakneck pace of growth in new business premium has slowed down dramatically (see graphic on right). And during this period, growth took a backseat with the focus shifting to the bottom line. ICICI Prudential, for instance, recorded its maiden profit, of Rs 257 crore, in its 10th year. Bajaj Allianz Life Insurance Co. showed the highest profit amongst private sector life insurers, of Rs 542 crore. Kotak Mahindra Old Mutual Life recorded an over three-fold jump in profits. And Birla Sun Life Insurance succeeded in pruning its losses to Rs 435 crore from Rs 702 crore a year ago.

But if the private sector life insurance sector is showing signs of a turnaround, there's little evidence of celebration. For two reasons: One, over the past two years growth in new business premium has been sacrificed at the altar of profits. In 2008-09, new business premium of the private sector grew in single digits, at just 6 per cent; last year, it was better at 13 per cent, but still lower than the nominal GDP growth rate (GDP plus inflation) of 15 per cent. The new-found profits also bring little cheer because they are a drop in the ocean of losses some of these companies have piled up over the past decade. At ICICI Prudential, the accumulated losses stand at Rs 3,518 crore, and at Birla Sun Life, they are at Rs 2,027 crore.

Clearly, the private sector life insurance sector is at a crossroads. After years of boundless growth and mounting losses, it's time to consolidate. But then, the dangers of moving to the other extreme can't be ignored—focussing on profits and ignoring the task of insuring more of the population.

Figures in Rs crore are growth in new business premium Source: IRDA

"If we are growing below the nominal GDP rate, we are actually reducing penetration," Kamesh Goyal, CEO, Bajaj Allianz Life, points out. Insurance penetration, measured by premium income to GDP, is still low at 4.1 per cent versus 12.6 per cent in the United Kingdom or 7.5 per cent in Japan.

For an industry that runs the risk of bleeding itself into a blackout, profits are an imperative. What's more, with foreign direct investment (FDI) in insurance capped at 26 per cent, players have little choice but to fund growth by generating cash. "Profits are important as life insurance is a tough business," shrugs Goyal.

The New Normal

At an insurance conference in Mumbai in May, G. Murlidhar, Chief Operating Officer, Kotak Mahindra Old Mutual Life, pulled out a 47-slide presentation on the "New Normal" for the industry. Therein may lie the middle path: Of moderate growth, operational efficiencies and a focus on profitability.

"The focus is on efficiency," beams Mayank Bathwal, CFO, Birla Sun Life Insurance, "and we will make profits soon."

Not too many will disagree. To cut costs, Kotak Mahindra Old Mutual Life shifted headquarters from the more expensive Lower Parel commercial district in central Mumbai to suburban Sion in 2007. But a more significant shift in strategy was to aggressively exploit the banking channel (known as bancassurance) rather than sell through agents, whose commissions work out to be more expensive. "We realised that bancassurance is the more efficient channel," says Murlidhar. A tie-up with parent Kotak Mahindra Bank has resulted in bancassurance making for over a fourth of the life insurance arm's new business.

Other expenses are also being reined in. At Kotak, in order to reduce postage costs, routine communica-

Birla Sun Life Insurance Co

PROFIT: Not yet, but reduced losses to Rs 435 crore from Rs 702 crore a year ago

GROWTH IN NEW BUSINESS: 4-5 per cent.

ACCUMULATED LOSSES STILL ON BOOKS: Rs 2,027 crore

Source: IRDA

"The focus is on becoming more efficient and that will help us make profits soon"

Mayank Bathwal
CFO, Birla Sun Life Insurance Company

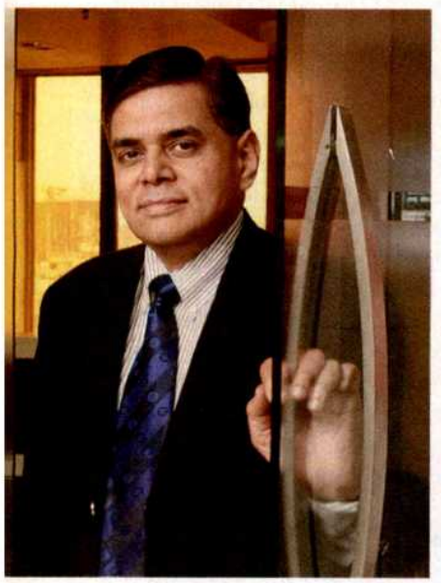
tions to policyholders are clubbed together in a single post. That's just one of the initiatives that has helped cut fixed expenses by Rs 56 crore from a year ago. ICICI Prudential's Vaidyanathan keeps a close watch on the use of power, and even tea and coffee dispensers at his branches. They are connected by sensors that transmit data to a remote server. Consumption levels are monitored with respect to the preset values and an alarm in the form of an SMS—to the company's IT department—is raised if any of the parameters exceed it. Such measures helped ICICI Prudential cut expenses by Rs 380 crore last year.

The big question, however, is: For how long can insurers rely on cost-cutting measures to boost the bottom line? Not for long, agree analysts. For a fresh burst of growth, what's needed is capital. That can come through two sources in the medium term: A relaxation in the FDI cap, from 26 per cent to 49 per cent; and an initial public offering (IPO). Indeed, most of the insurers command mouth-watering valuations. The research wing of ICICI Securities has pegged the "embedded" value—essentially, a more conservative method of valuing an insurance company—of ICICI Pru at Rs 9,095 crore; and of Bajaj Allianz at Rs 5,930 crore. Is the time right for a public issue of shares? Perhaps not, given the uncertainty surrounding new regulations on unit-linked insurance plans (ULIPS), which are expected to hit volumes and margins. "Companies may put their listing plans on hold," believes Murlidhar of Kotak Old Mutual Life.

That could well prove a setback, as a burst of fresh capital will go a long way in allowing insurance companies to drive forward into the untapped rural areas. But if the FDI cap stays and market conditions aren't conducive for raising capital—will investors buy into loss-making insurers—the stage could well be set for a bout of consolidation. As capital requirements increase, the willingness of shareholders (read foreign partners) to stay in the game could reduce. Currently, there are all of two dozen players in the private life insurance space, and those who can't wipe the red ink off their balance sheets may well become candidates for acquisition. There are already 3-4 life players courting banks to join them as equity partners. "The shoe has started to pinch. I think consolidation is bound to happen," believes Bajaj Allianz's Goyal.

Goyal, who is also Country Manager of Allianz India, sums it up best. "Life insurance is no longer a sunrise industry. The euphoria of the pre-2008 days is now over," he quips.

The iceberg may not have begun to melt yet, but it's increasingly getting warmer in the Indian life insurance industry. ⊙



Kotak Mahindra Old Mutual Life Insurance

PROFIT: Over three-fold jump in profits, to Rs 69 crore

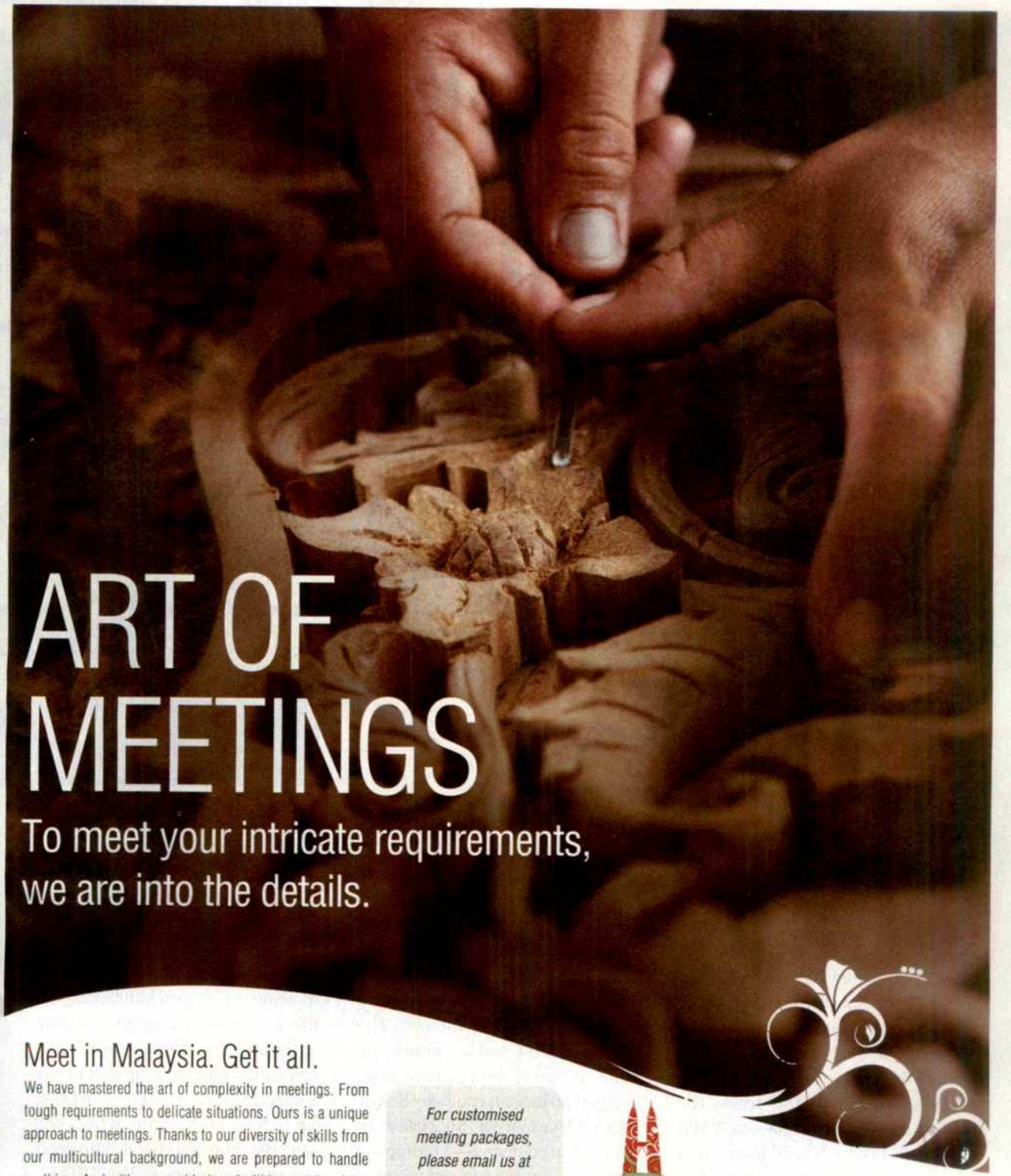
GROWTH IN NEW BUSINESS: Flat

ACCUMULATED LOSSES STILL ON BOOKS: Rs 255 crore

Source: IRDA

"Companies are right-sizing. Now comes the tougher part: Increasing the throughput from branches and points of sale"

G. Murlidhar
COO, Kotak Mahindra Old Mutual Life Insurance



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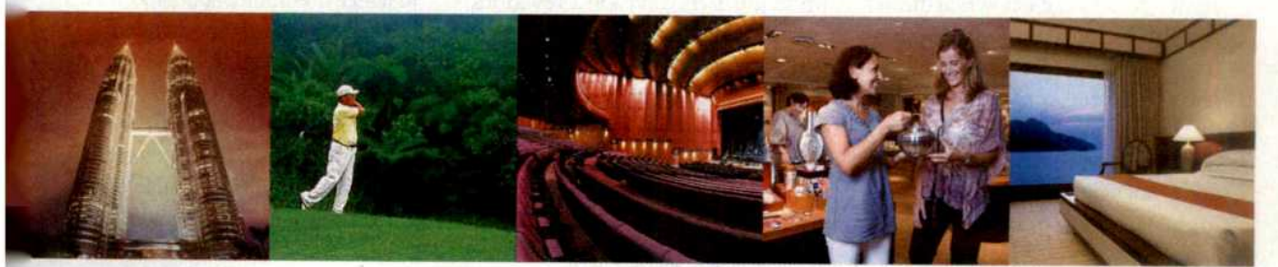

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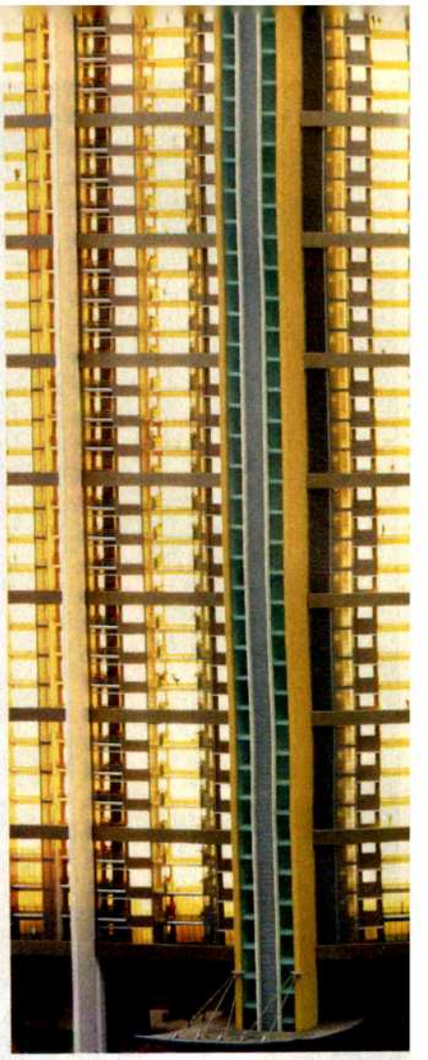
A BIG PREMIUM FOR INDIA

Businesses – both domestic and global – are forking out big bucks for Indian assets. Could this be the silly season for valuations? SUMAN LAYAK



With two sons vociferously splitting their loyalties between Manchester United and Arsenal, Brijesh Koshal is willy-nilly kept abreast of the latest from the English Premier League. But more than 'the beautiful game', the Head (Investment Banking) of Daiwa Capital Markets keenly tracks the English soccer team valuations. "With so much history behind them, Man U is worth every bit of the $1.8 billion they are valued at. The TV rights alone are worth $25 million, while the AIG deal for shirt logo is worth $50 million," he reckons. A cricket aficionado himself, Koshal contrasts this with the sky-high valuations of the new Indian Premier League (IPL) franchises and is not sure they are justified, saying: "The IPL teams are after all unknown quantities."

But the IPL is just an indicator of the times. Investors are increasingly shelling out top dollar for Indian assets across diverse sectors. While the buzz about the India growth story partly explains the trend, a slew of recent deals has raised eyebrows. The Piramal-Abbott deal is a prime example. When Abbott Laboratories snapped up Belgian company Solvay earlier this year, it paid $6.2 billion for a $3 billion company—a multiple of two times. For buying just a part of Piramal, Abbott forked out almost nine times the division's revenues. Abbott had the balance sheet strength to take such a risk on board.

Or take the auctions of the 3G spectrum that garnered more than Rs 67,000 crore for the Indian government. Sandeep Ladda, Executive Director at PricewaterhouseCoopers, says that when the telecom industry in Malaysia and South Africa opened up their 3G services, only 10 per cent of the subscribers upgraded. "There are no killer applications (yet) in 3G. It is a worrying factor," Ladda adds. Such a scenario can spell bankruptcy for the companies that bought spectrum at the auctions. Already the telecom companies have piled up debt to buy the spectrum. Bharti Airtel could raise up to Rs 10,000 crore, which will send the ratio of its net debt to operating income soaring to 3 in 2010-11, from a negative 0.08 in 2009-10. Reliance Communication, too, seems over-leveraged with an additional debt burden of around Rs 6,500 crore, taking its gross debts to Rs 31,700 crore.

Sunil Mittal, Chairman, Bharti Airtel, conceded that the auction prices had gone "beyond reasonable levels".

Then, there is the second realty

Abhisheck Lodha, Director, Lodha Group: Sky's the limit

BHASKAR PAUL/www.indiatodayimages.com

BIG DEAL

Mumbai's Lodha Developers makes the most expensive land acquisition in India, paying Rs 4,050 crore for a 25,000 sq. m. plot in Mumbai, in May. That's $34,520/ sq. m.

GLOBAL PERSPECTIVE

It may be India's biggest land deal, but still far below global highs. Last fortnight, in Hong Kong, the government sold a 16,151 sq. m. plot for $1.4 billion. That's $86,682/ sq. m.

ACQUIRER'S AMBITIONS

To build the world's tallest residential tower in Mumbai (World One), where an apartment on the top floor could cost up to $10.6 million.

boom in Indian cities now, within two years of a spectre of a realty bust. Mumbai has already seen an almost billion-dollar land deal and plans for the tallest ever residential tower in the world. Subhankar Mitra, Assistant Vice President at Jones Lang LaSalle Meghraj, says the Wadala land, for which Lodha Developers will pay Rs 4,050 crore, will be profitable as the government has allowed them to build four times the area in floor space. He, however, is worried that this could set the tone for irrational exuberance in the future with bids for some other mill lands of NTC soaring. Adds Sanjay Sakhuja, Managing Director of Ambit Corporate Finance: "The worry is that in New York, barely half an hour away from Manhattan, you can buy a five-bedroom house on an acre of land for $1 million. For that kind of money, you cannot even imagine a similar house in Mumbai in the half-hour range from the city centre."

Now here's a look at the final arbiter on valuations—the equity markets. India commands a higher price-earnings (P-E) multiple than peers from other emerging markets. The one-year forward P-E of Indian markets at 15.6 is much higher than that of Brazil (9.5) and even China (12). Indian technology and pharma companies are among the most expensive globally. A Dr Reddy's or a Sun Pharma outstrips global giants like Pfizer or Glaxo. Tech service providers Infosys Technologies and Wipro may be seeing slower business growth, but they have one-year forward multiples of over 20—almost twice the valuation of a rival like Accenture, which, too, has established a significant India presence.

BIG DEAL

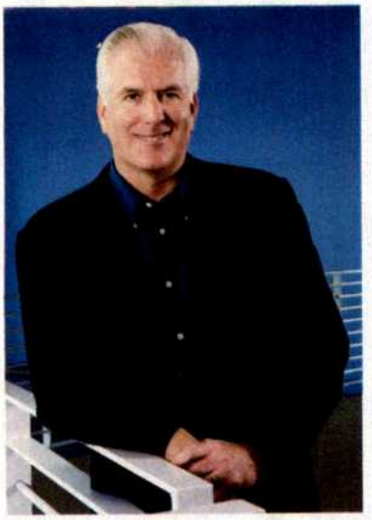
Abbott Labs, US, buys the domestic formulations business of Piramal Healthcare for $3.7 billion (about nine times the sales of the acquired biz).

GLOBAL PERSPECTIVE

Recently, generics giant Teva Pharma bought Ratiopharm of Germany for $5 billion (a little under three times its sales).

ACQUIRER'S AMBITIONS

Abbott wants to hit sales of over $2.5 billion in India, up from around just $162 million for the year ended November 2009.



Miles D. White, CEO, Abbott Labs: Betting big on India

So, are the valuations in India out of whack? Perhaps not. Explains Gaurav Khungar, Executive Director at KPMG: "While you may value a company or a deal at something, there is always a premium you are willing to pay which determines the transaction price and the two are different." For instance, Khungar explains that in pharmaceuticals in India, while the average valuation would be around 13-14 times of operating margins, transactions can take place at multiples of 24 or 25—as seen in the Abbott-Piramal deal. India happens to be the second fastest-growing pharma market, which is also expected to double its size to $16 billion by 2015. Also, low-cost manufacturing capabilities are the key consideration towards entering emerging markets.

Then, today cost of capital is a lot lower globally. Says Sakhuja: "Interest rates around the world are close to zero and global growth assumptions are low. If you use the discounted cash flow method for valuation, you have to discount the free cash flows of a business with the cost of capital. As cost of capital goes down, the valuation can go up sharply." Simply, lower rates mean a lesser interest outgo for the company over time, freeing up cash flows for future growth initiatives.

Srividya C.G., Partner at Grant Thornton India, points out that total value and volume of deals that have happened in India in 2010 reminds one of the flurry of activity in 2006-07 when several big-ticket deals like Tata-Corus and Hutch-Vodafone were announced. However, in January-May 2010, while foreign companies have acquired Indian companies spending $4.8 billion, Indian companies, too, have spent $17.6 billion to acquire overseas. It's a much stronger India that the West is buying into now.

Favourable demographics and rising per capita income have ensured a robust domestic consumption story. Raamdeo Agrawal, Joint Managing Director of brokerage Motilal Oswal Securities, says there are many pointers to show that the India story has taken a turn. "Our currency has been stable at around Rs 45 to a dollar for almost a decade. I cannot remember such a phase in the past. This means our labour and capital productivity has improved, or else we would have seen a huge current account deficit," he says.

And, ah yes, the stock market valuations. Here's another takeaway. The relative stability of the secondary markets in India for the last six months augurs well, say analysts. Vinod Sharma, Head (Private Broking and Wealth Management) at HDFC Securities, points out: "For the last 10 months, the markets have not gone anywhere. From that perspective, we are on safer ground, that despite higher earnings growth, the markets have remained where they are. The markets do not appear overheated." Indian blue chips may appear expensive, but the valuations are clearly driven by the promise of future growth.

The IPL, though, most analysts feel, is a reminder of over-the-top valuations. Sahara bid $377 million for the Pune franchise. Venugopal Dhoot, Chairman, Videocon, who lost the bid for the Pune and Kochi franchise, asserts that the steep valuations did not make business sense. Sahara, according to some estimates, with its ambitious bid may not break even for at least a decade.

There is, then, always the lurking danger of investors losing sight of the big picture. ⊙

ADDITIONAL REPORTING BY RAJIV BHUVA

India Valuations Can Be Justified Because, By 2020...

- It will be the eighth-largest economy.
- The size of the economy will be $4.5 trillion, with a nominal growth of 13%.
- There will be around 100 million households (30 million today) with an income of Rs 25,000 per month.

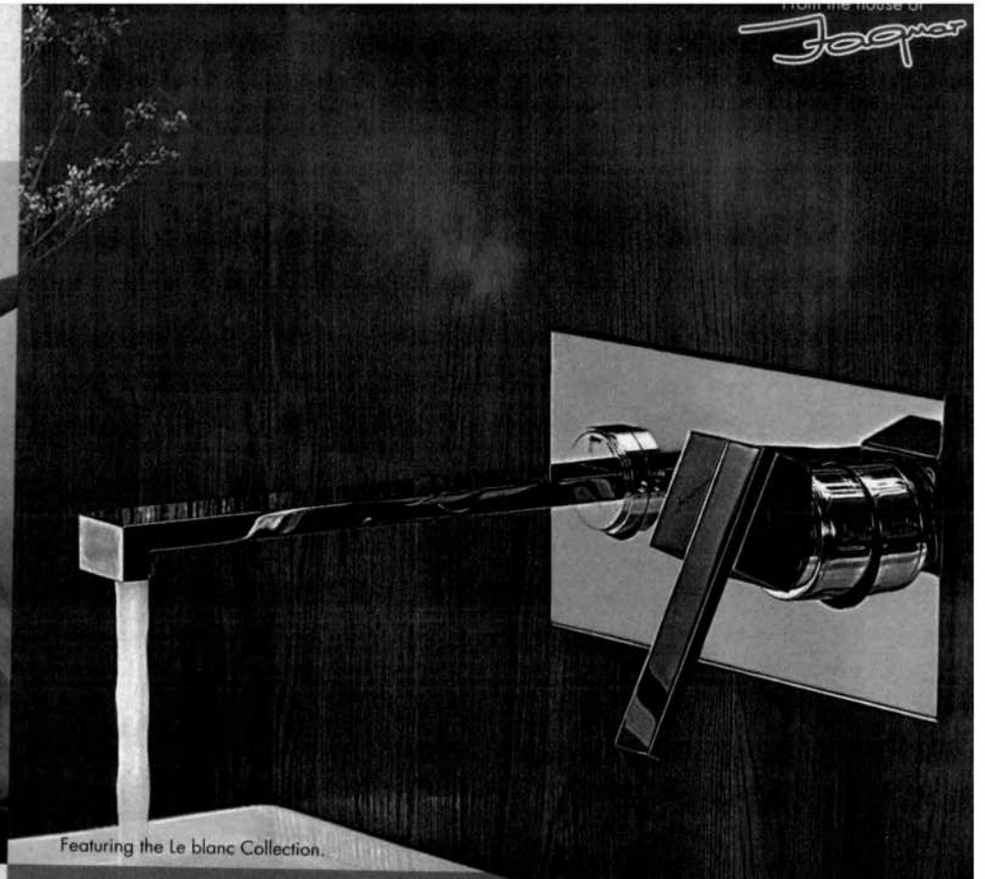
...But There Are Risks of Overpaying, Too...

- Infrastructure bottlenecks could choke India's economic growth engine.
- Red tape and unbalanced growth, with large areas in abject poverty, are other big hurdles.

From the house of Jaquar

The brilliance of the
French Impressionists

The grace of a Russian
prima ballerina



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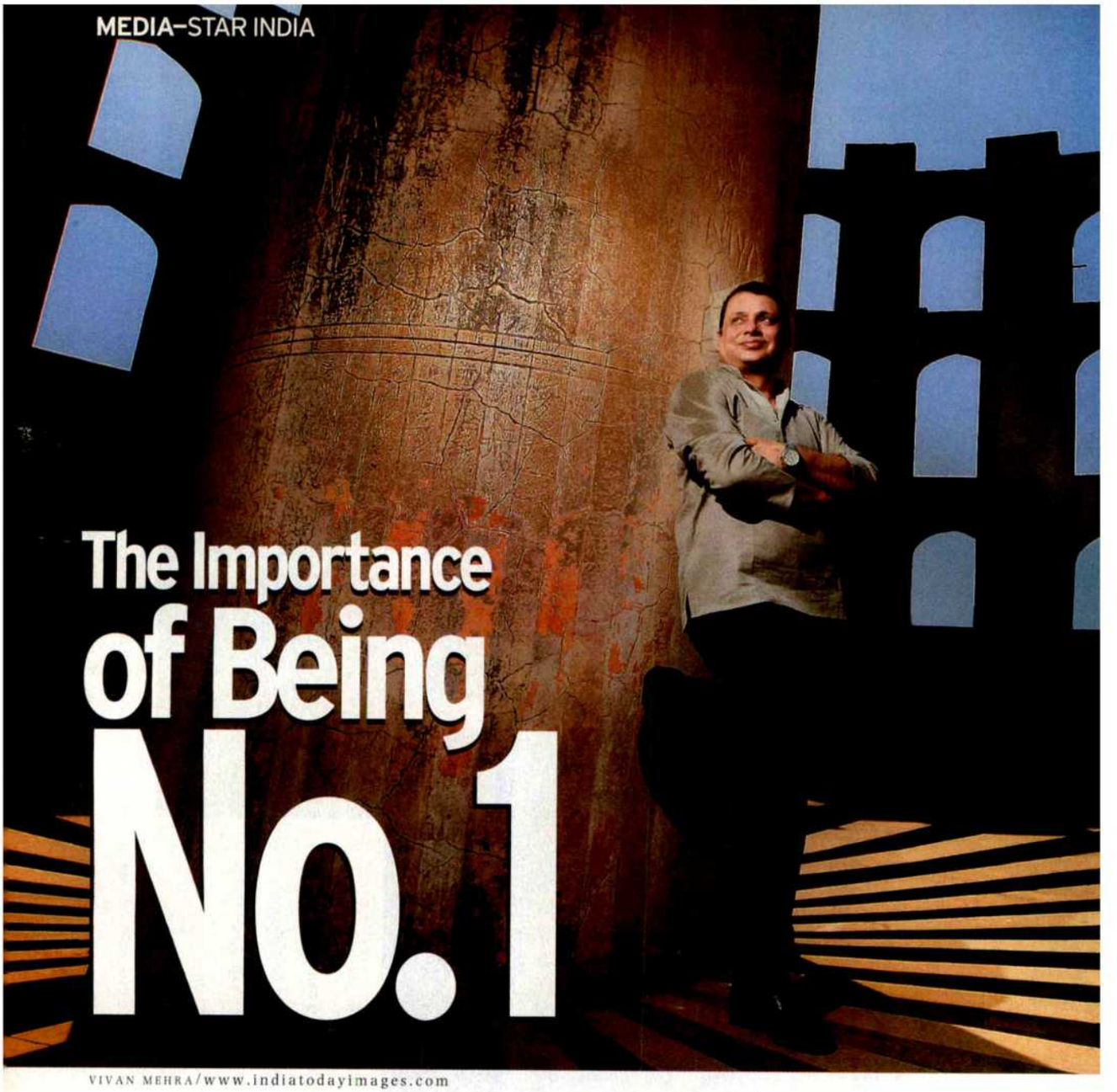


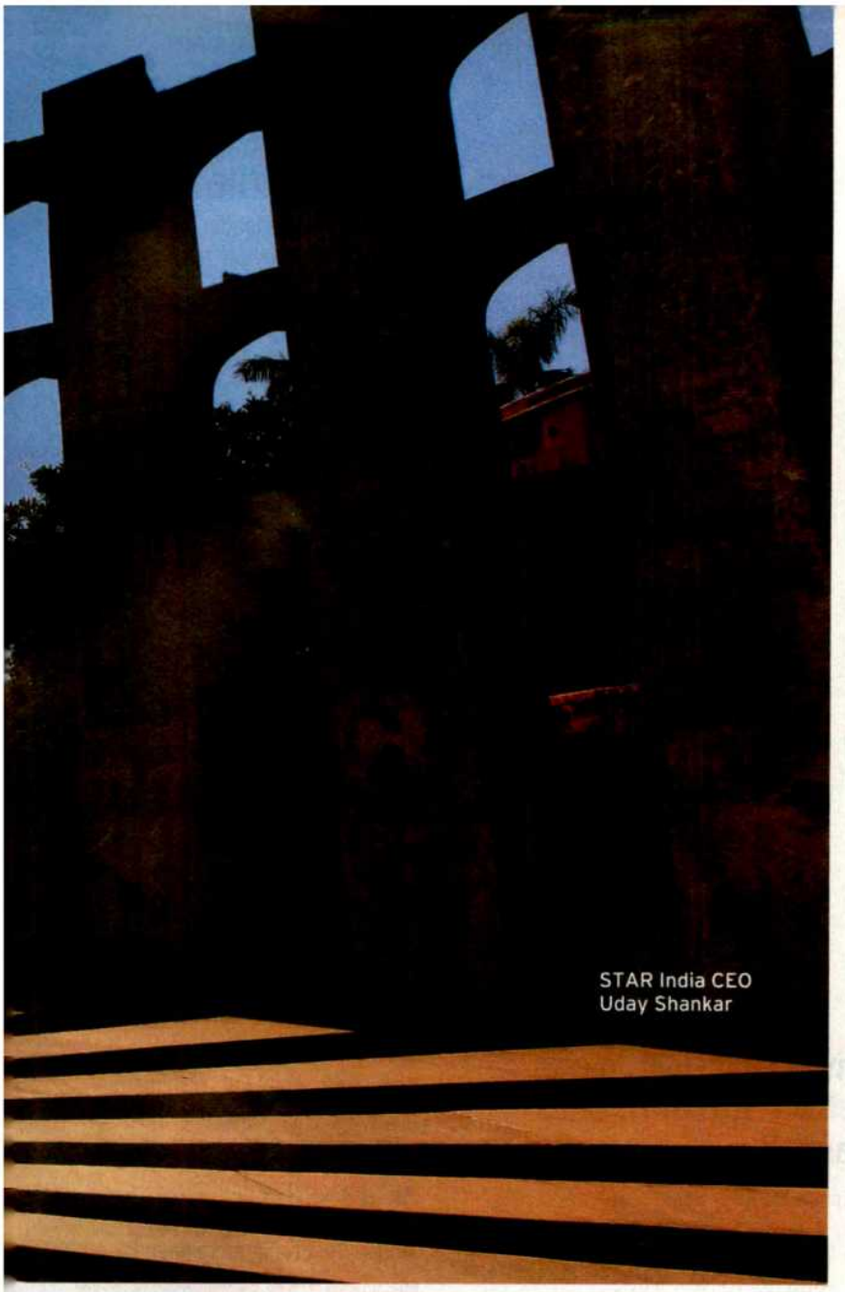
The Importance of Being No.1

VIVAN MEHRA/www.indiatodayimages.com

The STAR Network of channels says it has emerged the largest in India, for the first time. But the big breakthrough will be if Rupert Murdoch's Indian operations can lead the country's media and entertainment pack. He's getting there, fast. SHAMNI PANDE

I see strength across the entire STAR business. You have returned us to leadership in Hindi viewership, and, on a bigger level, made us the number 1 in network share across the world's largest democracy. You've done this by making STAR faster, more driven by insight, more flexible, a better partner for advertisers, and a more creative company that is truly driven by setting standards for viewers and setting the benchmark for performance.

That's an internal memo the brass of STAR India found in their e-mail inboxes in early June. It didn't take long for the congratulatory message to filter through to the 1,000-odd employees of the Indian arm of the STAR TV network, the Asian broadcasting arm of Rupert Murdoch's media and entertainment conglomerate, News Corporation (or News Corp. as it is popularly known). The author of that memo: James Murdoch, Chairman and Chief Executive (Europe and Asia), News Corp., and son of the



STAR India CEO Uday Shankar

STAR INDIA IS A FORCE TO RECKON WITH

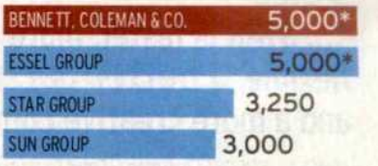
It's the largest broadcasting network*...

*Only TV channels (both pan-Indian and regional), and excludes distribution businesses like cable and DTH

**Including Zee News

Whilst STAR's estimated revenues (in Rs crore) are for 2009, Zee's and Sun's are for 2009-10

... although it's not quite yet the largest media & entertainment group.



Estimated revenues (in Rs crore) in 2009 for all media and entertainment businesses of the respective entities

*Figures are industry estimates and would be a little over Rs 5,000 crore

Source: Industry, BT Research

GRAPHICS BY UTTAM

legendary patriarch.

Murdoch was congratulating the STAR India team for convincingly bringing back its flagship entertainment channel, STAR Plus, to the numero uno slot—it's been there for eight weeks now amidst cut-throat competition. The STAR India team, led by 48-year-old CEO Uday Shankar, has a lot more to celebrate. For the first time in almost two decades—since kicking off an all-Hindi STAR Plus in 2000 with the path-breaking *Kaun Banega Crorepati*—the STAR Network claims to have emerged top dog by revenues (see *STAR India Is a Force to Reckon with*). Powered by STAR Plus, and with a generous contribution from its bouquet of regional channels—a few of which are leaders in viewership—STAR India's broadcasting operations (with 14 channels, excluding joint ventures) totted up revenues of Rs 3,250 crore.

But Shankar and his team are still not ready to pop the champagne. The next goal is to become numero uno in the Indian media and entertainment space. Put together all the STAR businesses in India—channels, distribution joint ventures like STAR Den and Hathway Cables, other broadcasting JVs like ESPN STAR Sports—and Murdoch's India business could well be closing in on the leader in the Indian media and entertainment market. Bennett, Coleman & Co. Ltd (BCCL), the group that publishes *The Times of India* and is the owner of a clutch of other media properties (with a few more in the pipeline), reportedly closed 2009 with revenues of over Rs 5,000 crore.

They're not right up there, but the Murdochs should still be delighted

with their Indian operations. After all, just five years ago, STAR India's revenues were barely half those of BCCL. The big push came in the past year, when STAR India grew at approximately 23 per cent, even as it scaled up operations organically (by overhauling content for its existing channels) and inorganically (by acquiring regional broadcasters like Asianet in Kerala in January 2009). Analysts point out that if Murdoch seems to be growing more rapidly than BCCL, it's because his Indian operations revolve almost totally around broadcasting and have an almost negligible presence in print publishing and journalism (it has India offices for the *The Wall Street Journal* and newswire agency Dow Jones).

"... STAR is faster, more driven by insight, more flexible, a better partner for advertisers, and a more creative company..."

JAMES MURDOCH/ Chairman & Chief Executive (Europe and Asia)/ News Corp.

Subhash Chandra's Essel Group, which has an expansive presence in media and entertainment, right from broadcasting (with 30 channels) to publishing (in a JV with *Dainik Bhaskar*) to multiplexes to online lotteries (Playwin), is also a group that STAR is catching up with. Chandra's media and entertainment empire is estimated by analysts to be over Rs 5,000 crore.

To be sure, being No. 1 is much more than an ego or morale booster. "The ranking of a channel can create a positive bias among advertiser buyers in agencies," says Punitha Arumugam, Group CEO, Madison Media, although she does add that "the actual viewership is the true test".

Shankar, who has been reporting directly to James Murdoch since August 2009—earlier he reported to Paul Aiello, then CEO of STAR TV Asia in Hong Kong—has undoubtedly hit pay dirt. Today, STAR India contributes roughly 75 per cent to the Asian operations, with Murdoch virtually taking the spotlight away from China and focussing it on India. The importance of the Indian arm became evident when Asian broadcasting operations were restructured last August into three business units: STAR India, STAR Greater China and Fox International Channels (FIC). Under the earlier structure, STAR India, China and Taiwan reported into the Hong Kong headquarters and not to New York.

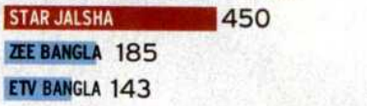
Shankar came on board STAR India in April 2007 as Chief Operating Officer at a time when the network was under severe pressure. STAR Plus' relative share in cable and satellite homes had plunged to 48 per cent by end-2006 from 60 per cent in 2004, and rival Zee TV had gained the most at its expense, with a seven per cent increase in viewership, to 21 per cent, during that period. The relatively unheard of Shankar, relative to STAR hotshots like Peter Mukerjea and Sameer Nair, also had to contend with an exodus of sorts at the senior level as Mukerjea and Nair went on to launch 9X and NDTV Imagine in the general entertainment space. The competition intensified with the entry of Colors, a Viacom-Network 18 combine, which would go on to steal the No. 1

POWER OF THE NETWORK

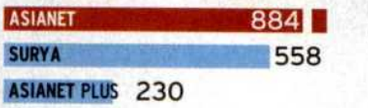
STAR Plus is the leader in general entertainment by GRPs*...

... is assuming leadership in key regional markets...

Bengali General Entertainment



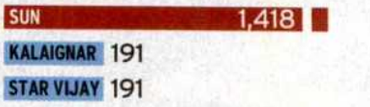
Malayalam General Entertainment



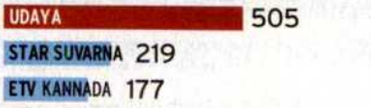
STAR acquired Asianet

... but it still lags in other big regions.

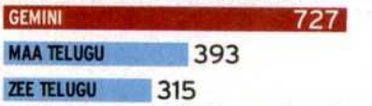
Tamil General Entertainment



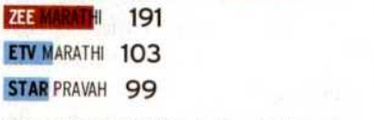
Kannada General Entertainment



Telugu General Entertainment



Marathi General Entertainment



*Gross rating points (GRPs) are for the period between April 23 and June 11, 2010 Source: TAM

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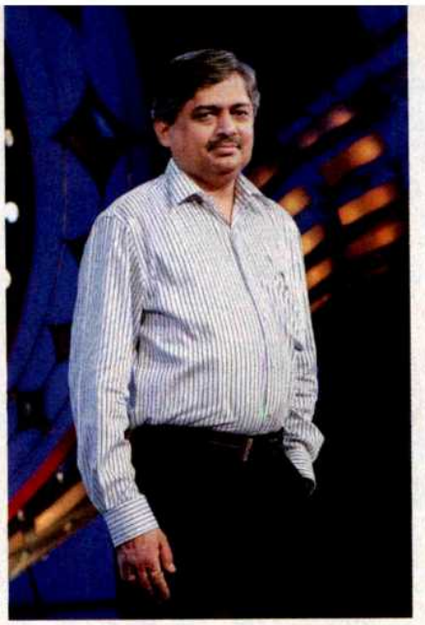

UMESH GOSWAMI

slot from STAR Plus in the years to come.

"I walked in at a time that was superficially stressful," says Shankar, referring to the resurgence of Zee, the launch of Colors and the depletion of talent. "There was also the anti-incumbency factor, with so many people willing to believe that STAR's best days were over," he says. By October 2007, Shankar found himself in the CEO's hot seat. Amongst the first tasks was to get the portfolio right.

"When I joined the group, I was immediately hit by its sheer spread and influence, but I was equally aware about how lopsided it was," says Shankar. Despite having 14 channels in its portfolio, there was a crippling dependence on STAR Plus, which accounted for up to 60-65 per cent of revenues (it has since dropped to 40-45 per cent). Perilously, the cash cow was almost entirely dependent on one content provider, Balaji Telefilms. A STAR affiliate had taken just under 26 per cent in Balaji, and both parties had an exclusive content agreement (STAR couldn't source from any other provider, and Balaji couldn't sell to any other broadcaster).

Shankar decided it was time to end the restrictive exclusive clause in the relationship—as well as its baggage from the past, in the shape of once-iconic-but-by-then-passé soaps like *Kyunki Saas Bhi Kabhi Bahu Thi* and *Kahani Ghar Ghar Ki*. "We have a strong relationship and still hold a stake in Balaji, but we needed to experiment," says Shankar. Result: New genres of programming, like *Yeh Rishta Kya Kehlata Hai (YRKKH)* and *Bidayi* were flagged off, which helped increase viewership. For instance, the Taj Mahotsav special on the *Bidayi* show got ratings of 10, significantly higher than the *K* serials when they were at their nadir.

As it went about improving content, STAR India expanded its reach into the regional markets, which make up close to half of the Rs 11,000 crore advertising pie in broadcasting. To expand its footprint in the southern states, STAR acquired a majority stake in Rajeev Chandrasekhar's Jupiter Entertainment, to form STAR Jupiter. The JV, in turn, acquired majority stakes in Malayalam channels Asianet and Asianet Plus, Kannada channel Suvarna and Telugu channel Sitara. There's also STAR Vijay, which the Murdoch company had acquired in 2001.

All these efforts have helped STAR double its share of viewership in the southern markets from 4.3 per cent in 2008 to 8.5 per cent in 2009. Courtesy Asianet, it's a leader in Kerala, but still has plenty to do in Karnataka, Tamil Nadu and Andhra. But, as Vikram Sakhuja, CEO (South Asia), GroupM, puts it: "The fact that STAR thought beyond Hindi and sought to have a full regional offering is significant as today it is important to have a pan-India presence, the way Zee has." GroupM is the parent to WPP's media agencies.

The regional ramp-up has also gone a long way in helping STAR boost the top line and help Murdoch come within striking distance of Chandra and the Jains of BCCL. Yet, whilst BCCL may be the one to beat in revenues, STAR barely competes with the publishers of *The Times*, which has a negligible presence in broadcasting. The competition is squarely with Zee, Colors and Sun TV (down south).

Nitin Vaidya, COO and Business Head, Zee TV, maintains his entertainment channel is still a leader—in its own way. "Leadership has been redefined. Due to the market dynamism, today leadership is not channel-wise but slot-wise. Zee TV is the No. 1 channel in the primetime slot on weekdays and weekends." Adds Colors CEO Rajesh Kamat: "The scenario of a three-way battle will continue for a bit. What will matter is who will consistently stretch its leadership position over a period of time."

"Today, leadership is not channel-wise but slot-wise. Zee TV is the No. 1 channel in the primetime slot on weekdays and weekends"

NITIN VAIDYA/ COO and Business Head/ Zee TV

How difficult is that task of sustaining leadership? "I think STAR Plus has as much chance of being able to sustain the top slot as Sachin Tendulkar has of scoring a century of sixes in every match he plays," jokes former STAR India CEO Mukerjea.

Murdoch may have well found the right man to lead his India charge. And he's responding by loosening the reins. "Earlier, too much control was given to people who didn't understand the market. Now the team has been given autonomy and is being left alone to chart its own course," adds Mukerjea. Shankar and STAR India are clearly being watched from several quarters—not just by his rivals in broadcasting but also the Jains of BCCL. ⊙

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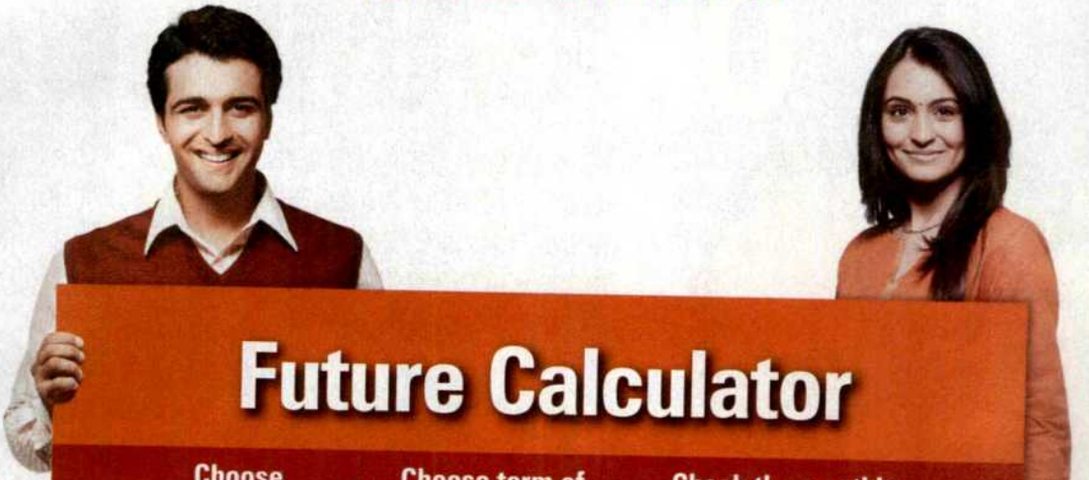

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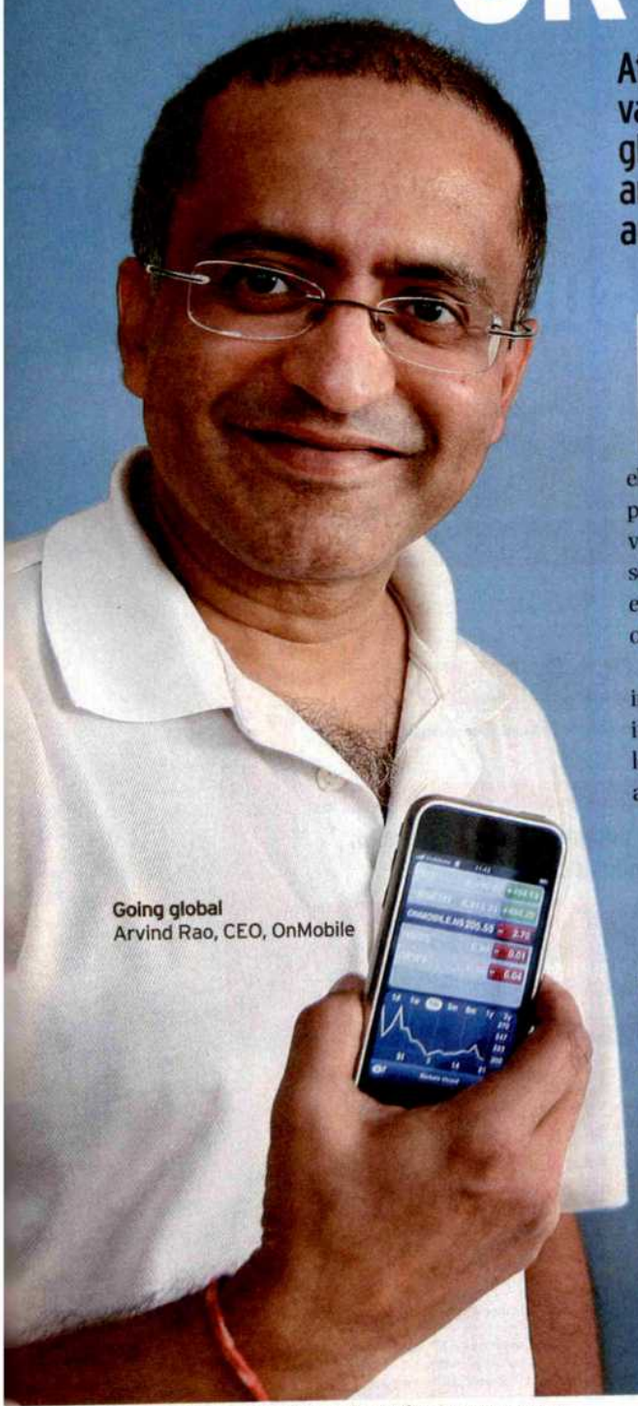
GUMPTION OR GAMBLE?

After dominating the Indian market, this value-added services upstart wants to go global. But the transition could be costly and it will need to brave a fragmented and cut-throat market. RAHUL SACHITANAND



Going global
Arvind Rao, CEO, OnMobile

BHASKAR PAUL/www.indiatodayimages.com

It's life in the fast lane for Arvind Rao. The 52-year-old Chief Executive of Bangalore-based OnMobile Global has been flying around the world, travelling for three weeks a month as he builds a global profile for his company. If things go according to plan, India's largest provider of value-added services (VAS) for mobile telephony, once part of technology services bellwether Infosys Technologies, will have doubled its presence to over 40 countries in the next year and be getting two-thirds of its revenues from these markets.

OnMobile's revenues have soared ten-fold to Rs 454.4 crore in 2009-10 over the last five fiscal years and it has nearly doubled its unique user base—defined as users who have visited it at least once in the past 30 days—to 83 million in the last year-and-a-half, selling ringtones, games and music, among other things.

Why the global market is tempting for OnMobile...

- The overall size of market is huge
- Advanced users offer opportunity for value-added services
- Indian operators moving abroad, can piggyback with them

...but why it may not work out according to plan

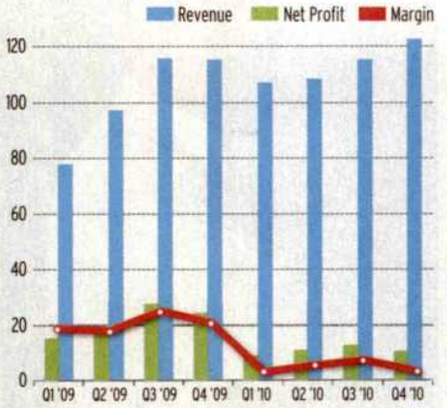
- Operators have long-term contracts with VAS providers
- The company may not have deep pockets to fund the expansion
- Will need to build local teams to meet region-specific client needs

Rao now wants to raise the bar higher in the mid- to long-term by eventually becoming the world's largest VAS player. VAS is an amorphous market; still, others like Ericsson, Huawei and ZTE are ahead of OnMobile on VAS revenues.

Ironically, the company has tested global markets before—unsuccessfully. Originally incorporated in the United States in September 2000 as Onscan Technologies, it tried to vend mobile advertisements and ringtones in a sluggish US market. Realising that there was little going their way, Rao and Mouli Raman, the Co-founder & Chief Technology Officer (CTO), relocated the company back to India just as the dotcom bubble was collapsing.

Earnings Stumble

International expansion has hit OnMobile's profitability.



Source: Company Value in Rs cr, except for margin in %

Despite the uncertain environment, the founders overhauled their business model and after cutting ties with Infosys—which had incubated it—decided to zero in on India's nascent mobile services market. Now, some 10 years later, Rao asserts there are compelling reasons for looking beyond Indian shores. To be sure, the user base in mature markets is growing very slowly, if at all, compared with that in China, India and Brazil. But, OnMobile officials say, mobile phone users in the mature markets are more advanced and spend more on a host of value-added products. Then, there's also the possibility of going abroad with existing OnMobile customers like Bharti Airtel who are expanding their footprint.

OnMobile has already inked large deals with global operators. It has a deal with Spain's Telefonica Internacional for 13 countries in Latin America where Telefonica is a leading telephony provider, and a contract with Vodafone Group for Asia, Africa and central Europe. Rao believes the Telefonica deal alone could account for up to 30-40 per cent of OnMobile's top line in four years. "Today, if you look at the market, we are the clear leader in India," he says. "Now, customers, including the likes of Vodafone, want to expand the relationship to include emerging countries and hopefully mature markets, too." Raman points out that OnMobile has grown its business with operators from single 'circles' (with Airtel in Delhi, for example) to a pan-India reach. A worldwide rollout, he hopes, will be a natural progression.

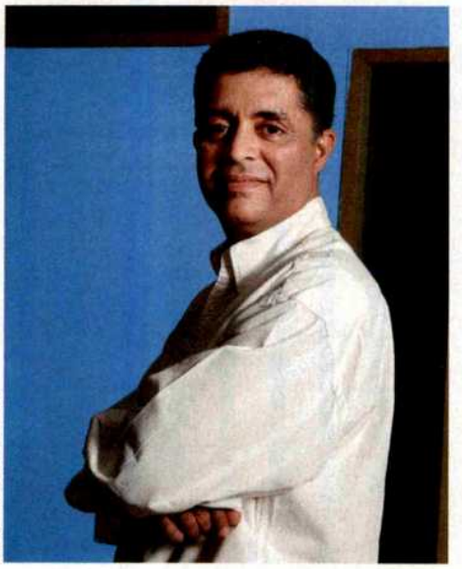
The Telefonica and Vodafone deals may just be the tipping point for OnMobile's rapid international rollout. "We want to piggyback global operators to reach another 20 countries in the next 18 months," says Rao. While upgrading its technology, it is also exploring new revenue models—like revenue-sharing rather than just licence fees—to get an edge in a competitive global market.

While Rao and Raman have been the most visible face of OnMobile for the past decade, they have turned to a new senior hire, Sanjay Uppal, a veteran with 23 years at technology giant Hewlett-Packard, to fine-tune its international plans. Uppal, who spent two decades in the US, has been at OnMobile's nondescript headquarters in Bangalore for the past 12 months looking for new growth drivers. His game plan—focus on speed of execution, focus on key markets like Europe, Africa and Latin America, and deliver services relevant to these regions (for example, football and music in Latin America). On the technology front, Uppal believes OnMobile's focus areas should be physical storage in the form of music download and ring-back tones (RBT), search and discovery using text and voice initially and newer mediums such as video later, and social networking. "We also want to add elements of social networking to our expertise in RBT to open new revenue streams," Uppal says, without elaborating.

OnMobile clearly has grand plans. Can it pull them off? Not everybody is convinced. Industry insiders say OnMobile has timed its global expansion poorly, just as the worst of the slowdown has hit. With heavy investments overseas and little growth from recession-hit operators, OnMobile's numbers have stumbled. As operators struggled to bolster profitability, they cut down sharply on VAS expenditure over the last three quarters. This meant that VAS providers such as OnMobile couldn't rapidly roll out existing products nationally or introduce new solutions to the market as quickly as previously estimated. On a consolidated basis, OnMobile's revenues for the year to March 31, 2010, rose by just 11 per cent year-on-year, while gross profit dropped by over half. Telecom analysts like Santosh Sinha of Frost & Sullivan also question OnMobile's decision to invest nearly Rs 40 crore in international expansion at a time when its core business has been hit.

OnMobile's struggles are reflected in its shares, which were down 60 per cent in June 2010 from their 52-week high on the Bombay Stock Exchange. "There was a huge dip in the revenue compared to what we had forecast going into the year. Some of that was clearly due to market trends that we did not anticipate...we maintained our cost and our investment without really changing that trajectory too much," Rao told analysts after announcing results for the fourth quarter of 2009-10.

Then, Rao and his team also have to contend with competition from all corners. While a global giant like Huawei can entice operators by offering hardware and software as a bundle, home-grown rivals such as Comviva claim to have a more balanced portfolio of offerings across enterprises and customers. In contrast, analysts say, OnMobile is over-dependent on the Indian market and RBT, which contribute over 45 per cent of its revenues. A smaller start-up backed by Sequoia Capital, IMIMobile, says it has 66 operators in 77 countries as its customers



DEEPAK G. PAWAR

SANJAY UPPAL/ PRESIDENT AND COO/ ONMOBILE

"We want to add to our expertise in ring-back tones to open new revenue streams"

and has more profitable products. "We think that our focus on data-based services is more profitable in the long term," says the company's CEO Vishwanath Alluri. He estimates that data-based VAS could account for as much as 40 per cent of an operator's top line in the next five years, even though it is now 20-25 per cent in western markets and just seven or eight per cent in India.

OnMobile is now going back to its tech roots to try to stand out in a crowded and competitive marketplace. "The types of services that are lucrative vary from market to market," says CEO Rao. "In the United States (where OnMobile now has no presence) and Western Europe, user sophistication is high with app stores and widgets, but in India anything beyond peer-to-peer SMS is in its infancy and voice-based services are popular. "To try to cover several bases at once, OnMobile has bought its way into new technology niches, like its acquisition of France's Telisma, a speech recognition firm, in May 2008 for $18.7 million.

"We are always looking for opportunities," says Rao. "We're interested in access to breakthrough technology, new markets and customers." OnMobile is dabbling with an automated speech recognition solution for a travel company's customer relationship management technology and is testing its capabilities.

Worryingly for it, OnMobile may have taken its eye off the ball at the wrong moment. The domestic market continues to show promise and OnMobile's global plans may just impact its intitiatives in India. Operators are adding 20 million subscribers a month, but the drop of up to 40 per cent in average revenue per user has them scrambling to grow VAS revenues.

Sinha of Frost & Sullivan estimates that VAS accounts for around 10-12 per cent of operators' revenue in India currently and this could rise to as much as 25 per cent in five years. Also, VAS revenues, after three quarters of decline for the country's four largest operators, are on the rebound, growing at nearly 11 per cent sequentially in the fourth quarter of the last fiscal. Says Shireesh Joshi, Chief Marketing Officer for Mobile Services at Bharti Airtel: "We are partnering with organisations from all around the world."

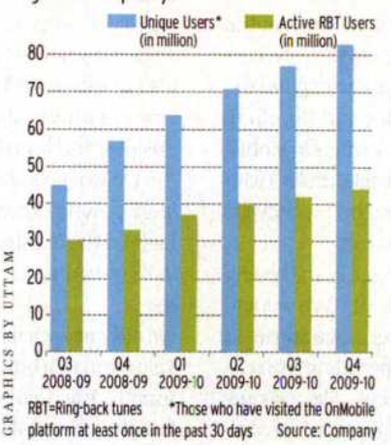
Before it can become a large global player, industry experts say, OnMobile needs to iron out a few kinks. For example, ring-back tunes are not a popular product in Europe or in West Asia. Then, despite its scale, OnMobile is a small company with a turnover of a little over Rs 450 crore and will need to exponentially hike its marketing spend to be seen in a crowded market. OnMobile's Chief Financial Officer, Rajesh Moorthi, claimed that the company had enough funds for the moment to support this global blitz but wouldn't comment on any preferred routes of fund-raising for the future.

Finally, despite hiring some 120 people for its European operations, Rao himself admits that finding senior managers and "raw execution" will be the two biggest challenges facing OnMobile in its global quest. Still, he says, "There are several competitors we need to tackle, but none of them keeps me awake at night."

OnMobile will require plenty of Rao's bravado if it wants to make a splash on the global stage. ⊙

Booming Growth, Until Now

OnMobile's subscriber base has grown rapidly.



RBT=Ring-back tunes *Those who have visited the OnMobile platform at least once in the past 30 days Source: Company

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Waste King

Only growth: Group Chairman A. Ayodhya Rami Reddy at the 325-acre Jawaharnagar dumpyard outside Hyderabad. The dump, which already has 55 lakh tonnes of municipal solid waste in it, grows by 3,000 tonnes a day.

A. PRABHAKAR RAO/www.indiatodayimages.com

Wants More

Ramky has emerged as a leading waste management company. Will a global footprint help it achieve its ambition of being a billion-dollar player? E. KUMAR SHARMA

If you happen to be at Terminal 1 of Singapore's Changi airport, arguably one of the cleanest airports in the world, you wonder, Wow! How do they keep it so clean? But clean is not the point in Changi. Who keeps it that way is. In this part of the airport, it's an Indian company, Ramky Cleantech Services, that has the job of keeping everything spotless, and collecting and segregating waste. Operating in a technology-driven city state obsessed about cleanliness, the success of this subsidiary of Hyderabad's Ramky Enviro Engineers Ltd or REEL has sharpened the Ramky Group's global ambitions in waste management.

Says Ramky's Founder-Chairman A. Ayodhya Rami Reddy: "We are clear in our goal—to be a global player over the next few years with revenues of a billion dollars (Rs 4,600 crore) and to make the group a $5 billion entity." The Rs 2,500-crore group is also present in infrastructure, real estate, finance and investment, and venture capital. In the last fiscal, the turnover of REEL, the waste management business, was Rs 550 crore; Rami Reddy wants this to double in the current fiscal.

The Singapore presence, which accounted for just 15 per cent of REEL's turnover last year, can be traced back to 2004, when Ramky's strong presence in India's medical-waste management business attracted Singapore's Sembcorp Environmental Management Pte Ltd or Sembcorp Enviro, which struck a deal for a 51 per cent stake in that

Ramky unit to form SembRamky. In 2007, it was Ramky's turn to go to Singapore and set up a subsidiary that uses vacuum systems to suck out and dispose of household waste. Then, last year, when Sembcorp Enviro decided to sell its Cleantech division, Ramky grabbed the opportunity to scale up and landed the Changi contract.

Ramky Can't Wait

For all his global ambitions, Rami Reddy, 45, knows his biggest strength is India, simply because REEL is a leading provider of integrated environmental and waste management infrastructure in a country whose industries and urban landscape generate huge amounts of waste with very few organised players to handle it.

There is no inventory of waste streams or estimation of market size, government policies have developed in fits and starts, the enforcement mechanism is weak and awareness exists only in pockets of corporate India. Even so, REEL has big names like Sun Pharma, Mahindra & Mahindra and Alfa Laval as its clients, and handles everything from paint sludge, oil-soaked materials and expired chemicals to sludge from effluent treatment plants.

Here's its scale: REEL operates 11 hazardous-waste management facilities in India, 16 hospital-waste management facilities, including nine operated by SembRamky, and 20 facilities to manage municipal solid waste. It will be setting up 17 integrated recycling facilities for various civic bodies. REEL is also taking part in an initiative of ITC Ltd, the fast-moving consumer goods major, to recycle household solid waste in Andhra Pradesh.

So, it has no shortage of orders or business by way of build-operate-transfer or BOT projects. "Today, we have on hand 65-70 BOT projects to be executed and being executing, together valued at around Rs 3,500 crore," says Rami Reddy. But his biggest problem is that the Indian market is not yet mature. Compliance with environmental norms is poor, waste collection is not streamlined and companies like REEL have to face "socio-political issues and hurdles" as most such activities require interaction with public or government entities.

Take the handling of hazardous waste. "This requires continuous education at the industry level and close monitoring within the organisation. We are trying to ensure that our people focus on segregation of waste as it is typically wrong combinations that cause major accidents when handling hazardous waste," says Rami Reddy.

THE MOUNTAIN GROWS

- Set up India's first integrated hazardous waste facility in 2001.
- Set up first biomedical waste facility in 2000.
- Set up first integrated municipal solid waste facility in 2005.
- Operates 14 hazardous waste management units, including three abroad.
- Operates 16 biomedical waste units, including nine under SembRamky.
- Has 20 municipal solid waste management facilities across India.
- Has deals with states to set up 17 integrated recycling facilities.
- Has on hand 65-70 build-operate-transfer projects.
- Also does landfills and incineration work.

On the need to go abroad, REEL Executive Director M. Goutham Reddy says waste management is a $150-billion industry globally. In India, the potential is around $8 billion, but the organised sector has tapped just $500 million.

But REEL has its dreams of becoming a waste management powerhouse over the next few years, not decades. And the only way it can do this, as it learnt after successes in Singapore and Dubai, is to increase its global footprint by using its cost advantages and knowledge. For example, in Singapore, it offers a refuse vacuum collection system—in which kitchen waste is sucked out without any manual operations—at a cost 20 per cent lower than that of its competitors.

It is also implementing projects in Oman and Saudi Arabia, and has bid for projects in Jordan, Ethiopia and Gabon. It is looking at acquisitions in the United States, Australia and Europe to get technologies that make waste to energy conversion cost-effective or for converting municipal solid waste to biogas. According to Goutham Reddy, available waste-to-energy technologies' costing at Rs 12-13 crore per megawatt is not viable. But there is money in waste conversion: 100 tonnes can yield 1.5 MW hours of power.

What Next?

REEL's latest focus is the business of recycling, reusing and recovering. It has applied for licences to set up facilities for such work at each of its 11 hazardous-waste management facilities. Each complex will cost around Rs 100 crore, and it plans four such in the metros in the first year and the remaining over the next five years. In Hyderabad, it is setting up a Rs 30-crore facility to segregate and

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dismantle electronic waste, from which it can recover precious metals. Getting energy from waste, and research and development are two other areas on which it is working.

Rami Reddy knows that key to his success in this space will be people and for this has built a team of 25 scientists headed by K.S.M. Rao, recruited from the National Environmental Engineering & Research Institute or NEERI, who will head a planned research institute. Through this, Ramky will expand its consultancy and training skills.

"People coming out of colleges do not have the right kind of field experience or even classroom training in the environmental business," says Rami Reddy. That apart, he has taken aboard some former bureaucrats who know the regulatory ropes, and a member of a state pollution control board, who has been put in charge of REIL's municipal waste management project at Hyderabad. Today, the chairman says, Ramky spends around Rs 10 crore a year on research.

INDIA'S POTENTIAL...

- No overall data, but one report says urban India generates 100,000 tonnes of solid waste a day.
- Solid waste generated could grow at 10% a year.
- India's industry generates 6,232,507 tonnes of hazardous waste a year.
- Plastic waste accounts for 10,000 tonnes of municipal waste a day.
- An industry body report estimated e-waste in 2007 at 382,979 tonnes, including 50,000 tonnes of imports.

Some who have dealt with Rami Reddy and Ramky closely say part of the reason behind the aggressive growth of the group has been the political patronage that the company has received from select politicians. Rami Reddy dismisses such talk. "Take the Pharma City project in Vizag. People say things like I got it because of the Congress government headed by YSR (chief minister Y.S. Rajashekhara Reddy, who died in a helicopter crash in 2009) while in reality I got this project during the Telugu Desam government of Chandrababu Naidu," says Rami Reddy. The Rs 600-crore Jawaharlal Nehru Pharma City project provides waste management infrastructure and services to industry.

Moreover, he says, he has put in place a structure headed by professionals and so projects are done solely on business parameters. But he does concede that waste management is a business where one needs to engage with government entities and he "cannot afford to antagonise any political party".

Rami Reddy's big plans will also mean big investments—Rs 7,000-8,000 crore. This, he says, could come from internal accruals, a dilution of the promoter's equity of over 90 per cent, private equity or even a public listing.

Ramky's competitors are not idle. Take Neel Metal Fanalca Environment Management of the Rs 3,300-crore JBM Group of Delhi. "Waste management is a very important growth area for us and we have plans to grow significantly in the next three years within India," says Nishant Arya, Executive Director. His revenue target: Rs 500 crore within three years, from Rs 60 crore today.

Neel Metal Fanalca has the whole chain—from door-to-door collection to transportation from collections centres to landfills, segregation and recycling, landfill management; managing waste (composting, electricity production), handling and management of hazardous waste and even street sweeping and lawn mowing.

The opportunities are huge, as the organised sector handles only a minuscule part of the waste business, according to Ashish Chaturvedi, an industry expert and technical manager with GIZ, a German government agency, which, along with the Manufacturers Association for Information Technology or MAIT, brought out a report on electronic waste in 2008. "In e-waste, only 10-12 per cent is treated and in municipal solid waste this would be close to 20 per cent," Chaturvedi says. There are just a handful of big players in the formal sector and there is room for more, he says.

... AND RAMKY'S CHALLENGES

Waste collection still an issue in India.

- No presence in small towns, rural areas.
- Waste accounts for 20 per cent of group sales.
- May have to spin off each business as separate firm.
- Developed markets hard to enter.

The issue is the poor performance on waste treatment despite lot of regulations in place. Chaturvedi says India has adequate regulations with norms for waste management and handling of hazardous, biomedical and municipal waste and the government recently released a draft policy on e-waste for feedback. What is needed, he feels, is greater focus on fixing responsibility on every agency involved so conflicts between ministries and departments are minimised and compliance improved.

Rami Reddy is not scared of the pace he is setting for himself. A workaholic whose day begins at 5 a.m. and ends at 11 p.m., he says: "Those who have known me closely say while I may be 45, I have put in the work of a 52-year-old." It doesn't look like it will take him very long to reach a billion dollars. ⊙

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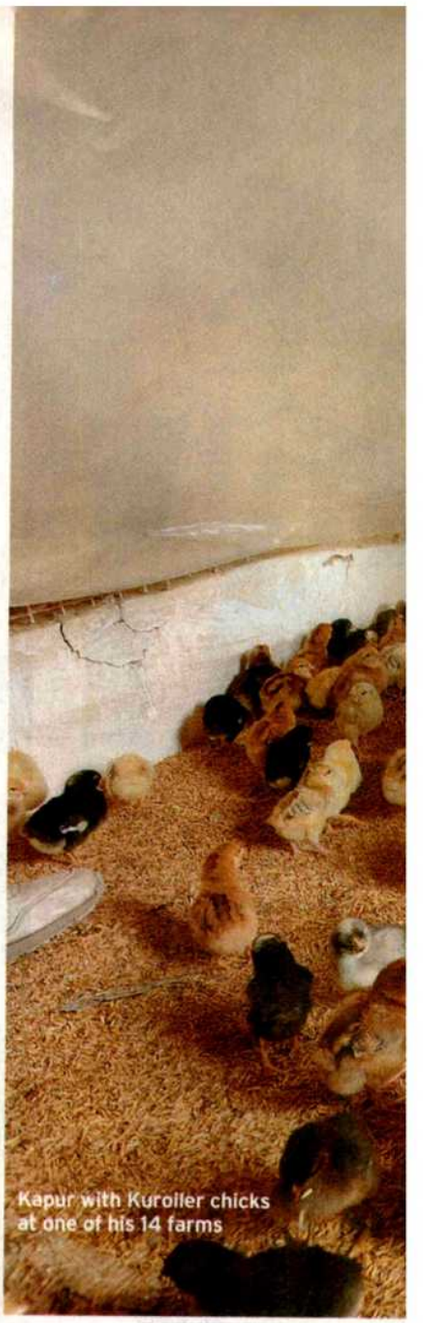
FIRST THE CHICKEN, THEN THE EGG

After successfully reinventing the chicken in the form of the Kuroiler, Vinod Kapur has developed a new type of egg–the Kegg. Will he succeed the second time? SHALINI S. DAGAR



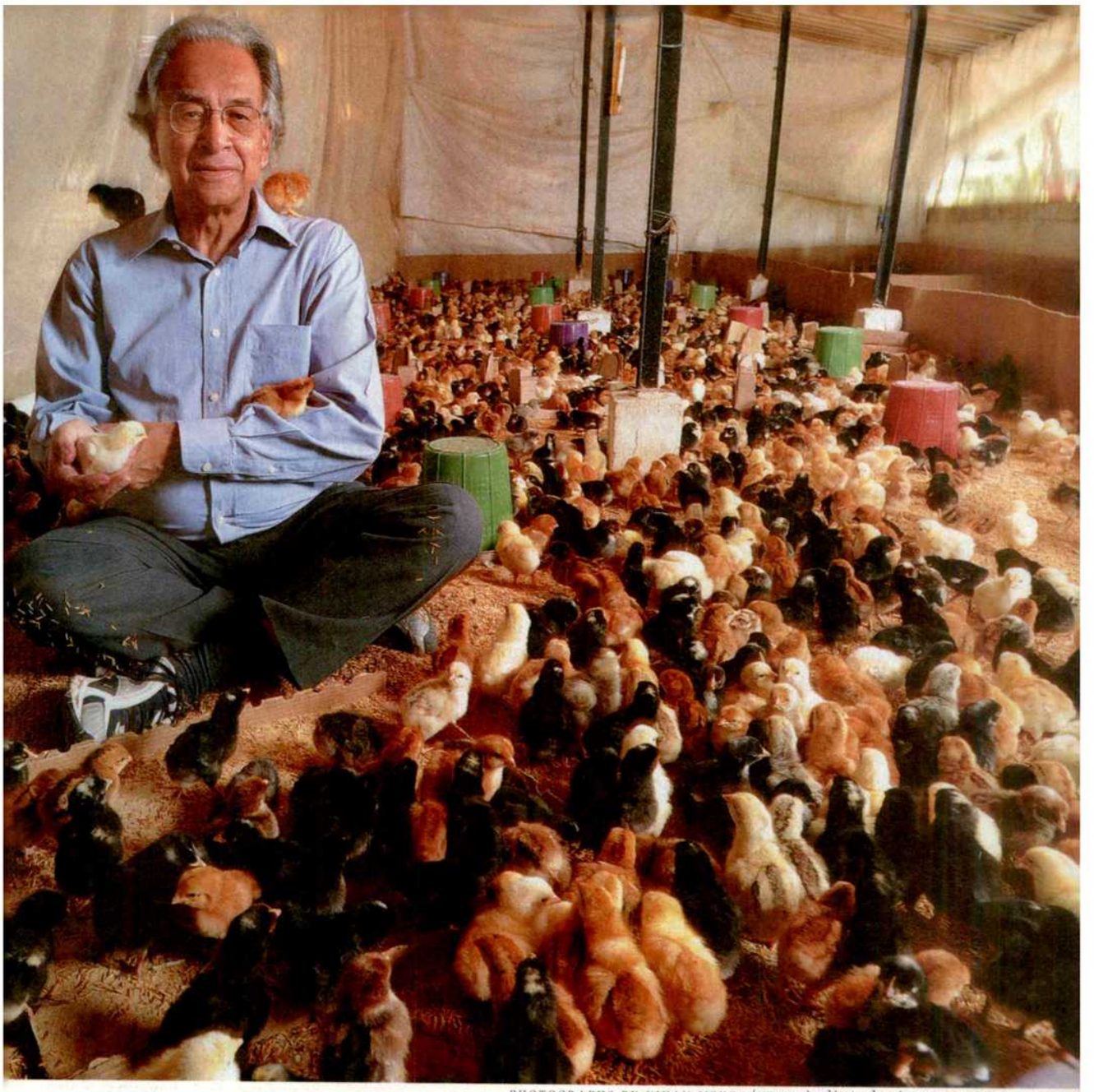
Kapur with Kuroiler chicks at one of his 14 farms

For Vinod Kapur, the chicken came first, not the egg. But he never fancied the white, farm-bred broilers. His passion is the Kuroiler NFG and FFG breeds, multi-coloured birds like the country hen that are hardier, grow bigger, lay more eggs—and are a source of cheap protein for poor villagers.

Branded eggs came later, in 2006, after he had built a name for Keggfarms Ltd. by breeding and selling Kuroiler chicks. Having given up the country manager's job at a multinational to expand his father's poultry hobby at Gurgaon in

HELPING SMALL FARMERS

- 13 lakh Kuroiler chicks are sold to 1,500 mother units each month
- Mother units shelter chicks for five weeks
- 1,500 vendors then peddle the chicks in villages
- Around one million village households buy the chicks
- No need for special feed, yet chickens are bigger than broiler
- Kuroilers lay more eggs–150 a year–than ordinary hens



PHOTOGRAPHS BY VIVAN MEHRA/www.indiatodayimages.com

1971, Kapur was cruising along with the usual hatch-and-sell-chicks business till India's liberalisation prompted him to hatch his first big idea, the Kuroiler.

Now, Kapur, 76, is out to capture urban India's table-egg market with his next big idea, the near-organic, almost-free-range, "Keggs".

Kapur's base is his unique model of supplying Kuroiler chicks to village households across seven states. There are two kinds of Kuroiler chicken—the Kuroiler NFG is a prolific egg-layer in open conditions, while the Kuroiler FFG is good for its meat as it grows bigger than the country cousin without any special feed.

Although Keggfarms sold 1.6 crore Kuroiler chicks in the year gone by and hopes to cross two crore this year, three disastrous years preceded 2009-10. The bird flu pandemic of 2007-08 almost devastated Kapur's business as states like West Bengal had to cull the entire backyard poultry stock. He realised that rearing chicks makes for very unstable income.

Could eggs give a cushion and help him continue his social initiative? Not the usual poultry egg, but premium eggs? Enter the Keystone Golden, a layer developed by Keggfarms.

"The poultry business is very volatile. We needed a stable revenue channel. So, four years ago, we decided to get into high value eggs, demand for which is relatively stable," says Kapur. Keggfarms, which reported a turnover of Rs 32 crore from its eggs and chicken business in 2009-

Bringing up Kuroilers

10, has become an accepted egg brand in the Delhi and NCR market and plans to enter Mumbai this year.

Kapur is trying to lay claim to the polar ends of the market—on the one end, the poor who value his Kuroiler chicks for the extra rupee they yield, at the other, the urban rich who are ready to pay Rs 90 for a dozen Keggs instead of just Rs 36 for the unbranded eggs.

Can he do it?

The Kuroiler Wins Rural Hearts...

At the heart of Keggfarms' rural success is its understanding of what the poor villager wanted from the poultry he or she would like to keep as an extra income source. Kapur found that poultry breeding in rural areas is usually done by landless farmers, the poorest of the poor, who are often of lower castes as well, and women. No fancy feed for these birds: they have to scavenge off the land.

"These were the absolutely phenomenal realities that we faced. Rural poultry did not make much money because the birds were small, low yielding, laid very few eggs," Kapur recalls.

Was it possible to give these people a bird that could live in the same surroundings, lay more eggs, survive better and give more meat, Kapur asked himself. The genetics of such a bird was the first challenge. The second was delivering it to far-flung villages, a few at a time. But selling day-old chicks—Kapur's business then—would not do: they would be easy prey for cats, dogs, kites and snakes.

First, Keggfarms developed two strains of what it called the Kuroiler.

THE KUROILER EDGE

Quality	Country chicken	Kuroiler
Max weight	1 kg	2.5-4 kg
Sale price (Rs per kg)	120	120
Eggs in 12-month cycle	40	150

Then, it co-opted small rural farms as "staging points" which would accept day-old chicks from Keggfarms and shelter them for three weeks, after which—by now sturdier—they could be sold at nearby villages to poultry rearers. Kapur chose the *pheriwalas* or traditional vendors who go from village to village selling everything from blankets to medicines and lanterns.

The Kuroilers were very efficient at converting waste into high-quality protein for the rural population.

"We created a completely original network for distribution," says Kapur. Along the way, Kapur set up Indovax to make poultry vaccines. The turnover of the Keggfarms Group is now around Rs 100 crore, which includes Indovax as well as Evitech, which deals with micronutrition.

Keggfarms, which reported a turnover of Rs 32 crore from its eggs and chicken business in 2009-10, has become an accepted egg brand in the Delhi and NCR market and plans to enter Mumbai this year.

... And Keggs Aims for Urban Tables

So, what is this Kegg? Well, Kapur prefers to call it "near-organic", not organic, and stops short of calling it "free range" where the hens that lay the eggs are kept in large open enclosures that have their own shelters and perches, with no cages.

But then he goes overboard: it's the "best egg in the world". "The yolk is deep yellow to light orange. The taste is as close to the free range as possible. We feed the birds a lot of greens to get the taste of the organic feed in the egg," says Kapur.

Kapur supplies direct to the retailers and in such quantities that they will sell within the next three days. Hence, there is no storage of eggs. The delivery costs are high but the customers are willing to pay Rs 45 for six eggs.

At present, he sells around six lakh Keggs a month. Kapur admits that the size of the market for the Keggs is limited, though no numbers are available. But he adds: "Kegg is meant for people who value quality and who have an ability to pay for them. Once they have tasted this egg they cannot go back to any other egg. These eggs have a highly loyal customer base."

So is Kapur—whose model for helping the village poor has become a case study at premier B-schools—shifting his goalposts away from social innovation to market-driven innovation? No way. He still gets upset if you compare Keggfarms with other poultry majors. His is a poultry-centric business, but not a poultry business, he says. "It is more a social enterprise".

With his rural business secure from big players ("They may have the money, but do they have the right mindset?") and Keggs thriving, he now wants to do for small entrepreneurs what he did for farmers. Why not, for example, help a bakery expand its market?

Funding? Kapur says he is content to grow with internal accruals. Private Equity is a strict no-no. "I am not interested in taking high jumps," Kapur says. ⊙

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Gujarati Lohana, 28 yrs / 160 cms, M.Com, CEO, wealthy family, seeks well-settled groom from same caste. Age 30 -33 yrs, height 165 – 176 cms. Should reside in Maharashtra. Contact Relationship Manager at +91 9899556665

Proposals are invited for good-looking Hindi speaking Brahmin, 24 yrs / 165 cms, BDS, from wealthy family. Seeks well-settled groom from same caste. Age 26 – 31 yrs, height 169 – 175 cms. Contact Relationship Manager at +91 9310150014

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Proposals are invited for good-looking Hindu, Rajput, 25 yrs / 163 cms, MCA. Seeks well-settled groom, age 26 – 30 yrs, height 5'6" - 5'9". Should be a graduate, preferably residing in Ballia district - U.P. Contact Relationship Manager at +91 9381102918

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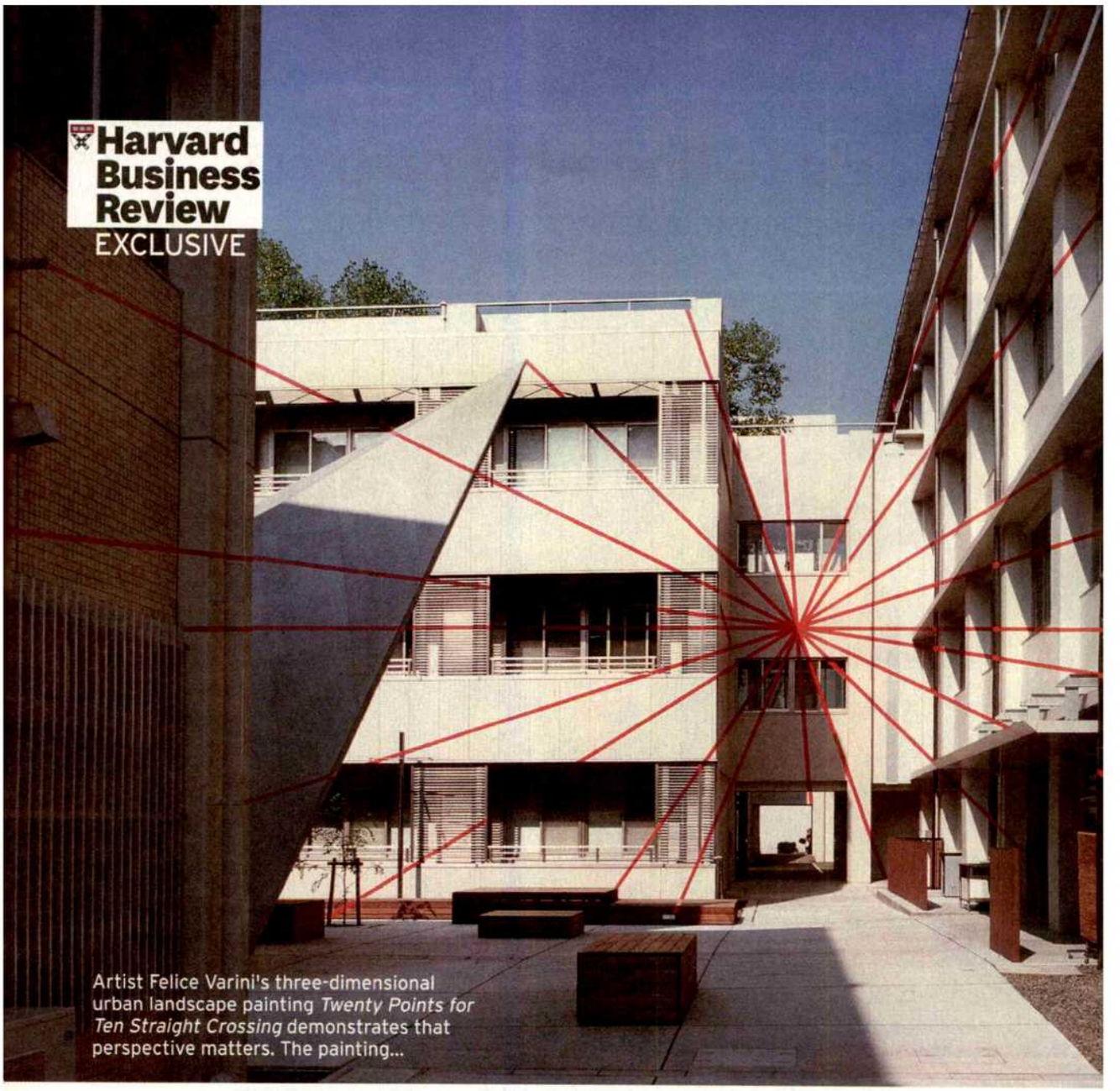
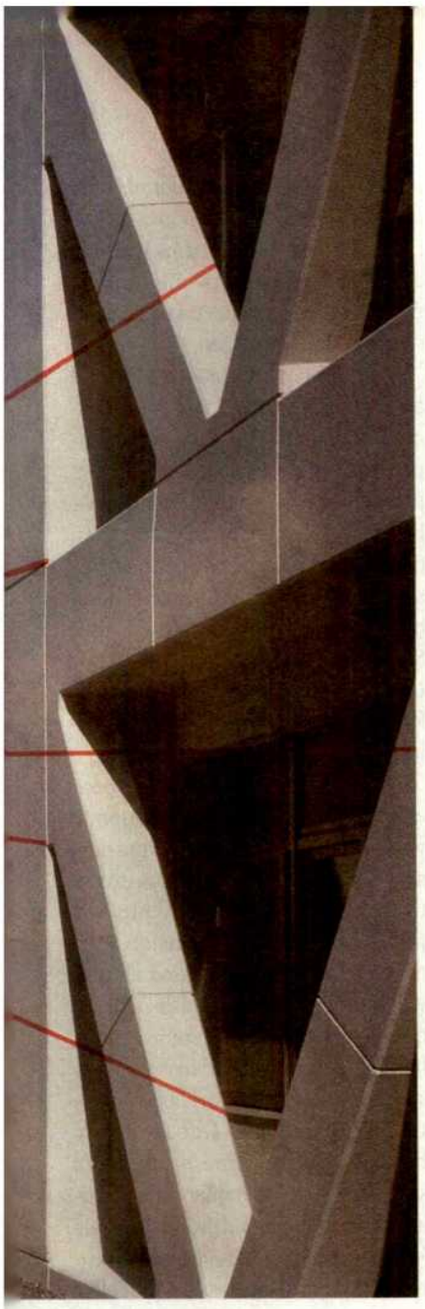


Artist Felice Varini's three-dimensional urban landscape painting *Twenty Points for Ten Straight Crossing* demonstrates that perspective matters. The painting...

Your Strategy in the New Global Landscape

The post-recession world demands a much more flexible approach to global strategy and organisation. BY PANKAJ GHEMAWAT



The 2008 crash hit cross-border business hard. The value of international trade was projected to decline by as much as 9 per cent in 2009. Foreign direct investment has plunged even more: After dropping 15 per cent in 2008, it fell by more than 40 per cent in 2009. Though we may have reached the bottom, the prospects for the medium term don't look promising. For much of the next decade, we can reasonably expect to see weak global growth, pressures from overcapacity, persistently high unemployment, volatility in the financial markets, costlier capital, a greatly expanded role for governments, a much larger burden of regulation and taxation for all, and maybe even increased protectionism. If we experience a second crash, as some experts worry, these conditions could all worsen.

It goes without saying that global firms must factor these developments into their strategies in the new decade. For some, the response will be to retrench and focus on home markets. This already seems to be happening: If you look at the annual reports of the world's 100 largest companies, you'll find that the percentage of firms in developed economies that emphasised international or global business in their letters to shareholders declined from 51 per cent in 2006 to 31 per cent in 2008. (In contrast, the percentage increased among the few companies from emerging economies in the group.) And use of the words "global" and "globalisation," while up significantly, was mostly in references to the economic slowdown and its impact on company performance.

Becoming homebodies, however, may be a bad idea for firms based in the developed world. Early data for 2009 indicate that China accounted for 66 per cent of global growth in GDP (excluding countries with negative growth) and India for 11 per cent. Indonesia accounted for the third-largest portion, 4 per cent. Though 2009 was an abnormal year—developed economies will snap back—the economic clout of big emerging markets, particularly China and India, is likely to increase over the next few decades, not just the next few years. According to recent World Bank projections, by 2050 China and India will together account for nearly 50 per cent of global GDP—about the same as the G7's current share, which is expected to decline to 25 per cent. (These GDP-figures are all nominal and not adjusted for purchasing power parity.) And since per capita incomes in China and India are projected to be only one-half to one-third the size of those in advanced economies, there's room for even higher growth rates in these markets after 2050. The same holds true in many other emerging markets as well.

That said, managers cannot afford to ignore the risks of pursuing a global strategy in the uncertain years ahead. To successfully negotiate the rockier path before them, they must change their strategic approach in several dimensions. My purpose in these pages is to suggest what direction they might take across this new, more rugged terrain. I'll look first at how the crisis affects a company's basic strategic environment and then explore how that translates into changes in product and market focus, organisational and supply chain structures, talent management choices, and, of increasing importance, the management of corporate reputation and identity. In other words, I'll take you through the hub and spokes of a typical strategy wheel, outlining the steps that firms should consider taking with each. (*See New Strategy Directions.*)

Strategy and Competition

Most companies' global strategies have been based on a vision of a world that's steadily, even rapidly, becoming more integrated, where the key challenge is keeping up with that integration. But given what we've witnessed in the past two years, it makes more sense to adopt a vision in which national differences remain pronounced (and may become even more so), and managing those differences is the primary challenge. Companies whose strategies currently emphasise

smoothing differences and achieving economies of scale across national boundaries may need to shift towards adapting to local conditions. Companies whose strategies emphasise arbitrage—taking advantage of differences—may need to make the same shift; now is not the time to be perceived as an exploitative foreigner.

Resource allocation processes will have to change, too. During the years of rising asset prices, many companies came to think of global strategy as one long asset-accumulation play that involved relatively little risk. The idea was to invest abroad and, if that didn't work out, resell at a capital gain. That may be why, according to a survey of HBR readers, 88 per cent of managers in pre-crisis days thought of global strategy as an imperative, almost an article of faith, rather than as a set of options to be carefully evaluated.

> MNCs have to develop products and services that are different from what they're used to selling.

Now that the bubble has burst, many firms are being reminded that a significant portion of their global operations subtract, rather than add, economic value. This isn't just a result of the crisis; it was true in the years leading up to the downturn. Of course, some global investments will pay off in the long run. Nevertheless, in a post-bubble world, where the cost and even the availability of capital are issues, firms will need to be more ruthless about terminating long-standing loss makers—and more selective in pursuing new opportunities. Some of this selectivity can be imposed by raising hurdle rates and tightening assumptions around terminal values. Some firms are also trying out other approaches, such as allocating resources according to their articulated strategic priorities. A number of large companies have turned on the investment spigots in China and, to a lesser extent, India—and for other platforms for growth—while tightening the financial taps elsewhere. Other companies have responded to resource constraints by offshoring, outsourcing, and forging strategic alliances (which seem to be on an upsurge).

Many companies from the developed world also need to widen their competitive focus. Last year, in the space of two weeks, I spoke with the two market leaders in a particular product category about globalisation. It was clear that the two companies were mostly focussed on each other. I tried to point out that if they considered China to be their major area for growth, it behooved them to pay at least as much attention to local Chinese competitors as they did to each other, especially since their sector was not R&D- or advertising-intensive (the two clear markers of multinational advantage). Let's turn now to how these strategic shifts play out in the functional components of a multinational's strategy.

Markets and Products

When it comes to customers and product choices, three main changes are likely.

First, multinationals from advanced economies will have to rethink their customer targeting. In large emerging markets they have traditionally focussed on the urban elite, who can buy premium products in upscale retail outlets. Going forward, companies will need to penetrate more geographies, channels, and income levels. Within China, many successful multinationals have already developed strategies at the provincial level and are now working at the level of clusters of cities and rolling inland from the coast. India is seeing a similar pattern.

At home, multinationals should also look for ways to target underserved segments. Wal-Mart, for example, has begun a major push into US urban markets. The top 15 metropolitan areas represent more than a third of the total US market, but Wal-Mart's share in them is only 4 per cent, compared with 10 per cent in the United States overall. The company's new urban strategy involves smaller store formats and more attention to mobilising local political support.

Second, most markets will experience pressures on pricing. Economic weakness and extra capacity, and possibly a shift in the zeitgeist from excess to frugality, have already pushed prices downward. Expansion into poorer markets at home and abroad will intensify this trend. This will require companies to do some repositioning—even in the luxury products sector in booming markets such as China. According to *Forbes*, Tiffany has faltered in China because its stores are small and offer only a limited range of high-end products. Louis Vuitton and Gucci, in contrast, have prospered with larger stores that offer many items at price points of several hundred dollars, which appeal to the luxury "entrants" and to gift buyers, who account for a large portion of luxury purchases in China.

Finally, multinationals will have to develop products and services that are fundamentally different from what they're used to selling, as well as regional varieties of offerings, as local differences in, for instance, taste, price sensitivity, and infrastructures for service and delivery become more important. This is obviously a challenge: If it's hard for a company to recognise that what worked in New York isn't working in Mumbai, it will

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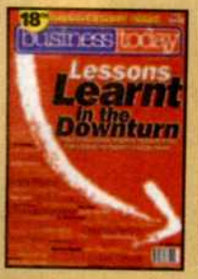

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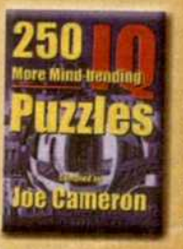

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be even harder for it to recognise that what worked in Mumbai may not work in Nagpur. But the savvier players are already trying this approach. Nokia's 1,000-plus-employee R&D force in India has engaged in extensive product adaptation, some of it focussed on rural and other lower-income markets. The results include a basic mobile phone that doubles as a flashlight for use during power outages and a phone designed to be shared by multiple people.

Operations and Innovation

On the supply side, several interrelated shifts are taking place. The pressing need to reduce global trade imbalances from record and clearly unsustainable levels, the rise of protectionism, and concerns about the environment are undermining the traditional "Chimerica" model, in which the United States imports large volumes of goods from China. Before the crisis, companies became accustomed to offshoring, but they should at least take a second look at the practice now. It's noteworthy that the US global giants that were financially healthy and confident enough to make major operations investments recently have stressed that they made those investments at home. Intel, for example, has talked up its new US semiconductor plants, and GE its new US wind turbine facilities. Of course, these are just two particularly vivid examples; both companies continue to invest substantially if quietly overseas. But that holds its own lesson: When offshoring does make sense, managing the discourse around it is more important than ever.

Unless protectionism spikes, significant offshoring will most likely continue. But supply chains will need to become shorter, simpler, and more robust, which means they'll require major reconfiguration. In the recent past the division of tasks across countries became ever finer and more complex; the manufacture of some garments, for instance, might have involved as many as 40 processing steps in a dozen countries. Now increased concerns about the environment and sensitivity to energy prices, not to mention the possibility of protectionism, appear to be reversing that trend. A 2009 survey of logistics providers revealed that nearly one-quarter of North American and European clients had taken steps to shorten their supply chains during the previous year. In the airline industry, international carriers continue to debate the sustainability of flying empty aircraft to developing countries in Asia and Central America, where costs are lower, for routine maintenance.

... changes as the viewer shifts position.

Perspectives on skills and process innovations are also changing. Traditionally, companies tended to transfer older, less-automated technology to plants in less-developed countries. Those plants didn't contribute to technological advances. But recent reports on manufacturing firms—for instance, the global components survey sponsored by the Alfred P. Sloan Foundation—reveal that many Western multinationals have actually started to import some of their less-automated processes back into plants in high-wage regions. Their experience in low-wage countries has shown them that labour-intensive plants can be more flexible than, yet just as reliable as, more-automated plants. It also turns out that the gain in flexibility can more than compensate for the higher wage bill. The flow of knowledge and innovation in operations has begun to reverse, with plants in places like Mexico becoming models for plants in the United States.

A reversal is happening in

BANGALORE, PUNE, JAIPUR,
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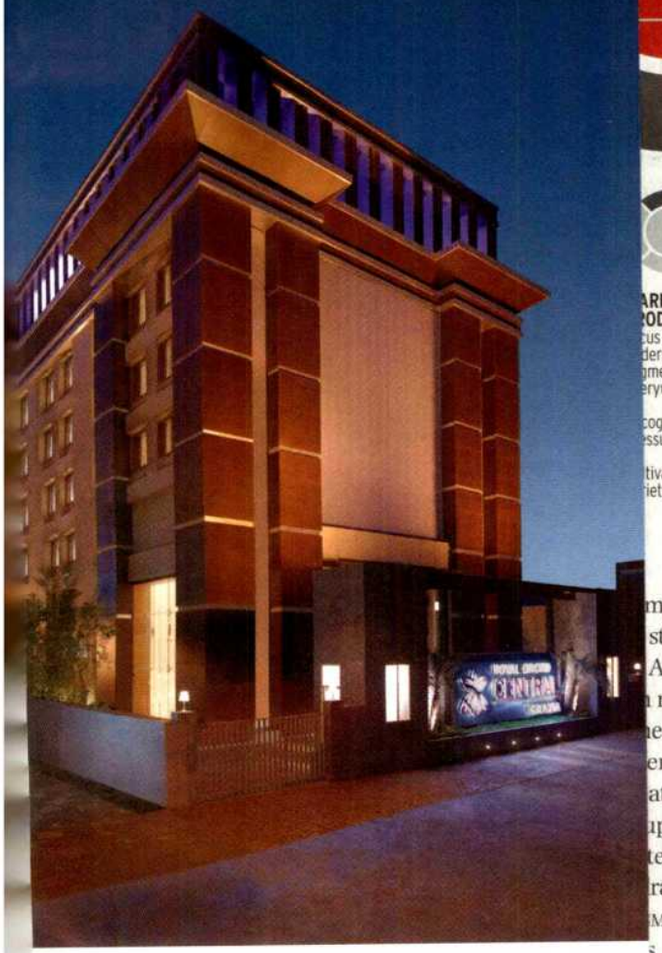
AND, NOW IN NAVI MUMBAI.



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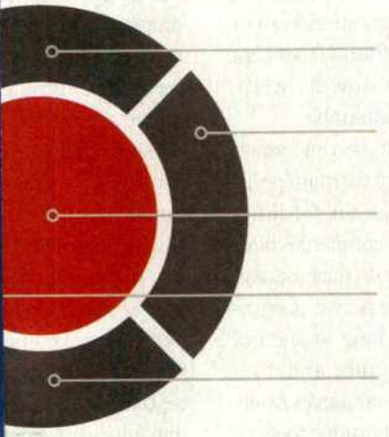

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OPERATIONS AND INNOVATION
Rethink the scope of offshoring

Simplify supply chains

Import process innovations from emerging economies

Move R&D to where the researchers and the market growth are

ORGANISATION AND PEOPLE
Re-create country manager functions

Relocate key functions

Develop a globally representative talent pool

Exploit communication technologies

IDENTITY AND REPUTATION
Build a strong corporate identity

Emphasise corporate citizenship

Restore the reputation of business in general

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hicles supplied. This is a basic realignment of the power structure within a hitherto US-centric GM: The China operation is now regarded by many as the more interesting part of the company. Looking forward, people are talking of more multinationals with dual headquarters, one in the West and one in Asia (most likely China).

Such organisational power shifts will demand fundamental changes in the diversity of management ranks. The profile of most large US corporations still reflects past patterns of operations, rather than intended future patterns. Their management is still dominated by Americans, and few have really come to terms with diversity. A Boston Consulting Group study of large multinationals and their as-

pirations in 16 rapidly developing economies conducted before the crisis found a gross mismatch between the amount of growth targeted in these geographies (about 33 per cent then, and probably more now) and the percentage of top personnel from or located in them (less than 10 per cent then and probably now as well). Clearly, this is not sustainable.

Finally, we have to become much smarter about the way we manage interactions among diverse, far-flung employees. Although companies have globalised their footprints, their managers still communicate across geographies mostly by travelling to and fro, holding conference calls, and, to a lesser extent, e-mail. Companies rarely exploit the new collaborative tools of the web, such as chat rooms and online bulletin boards, to build a stronger sense of community.

> When offshoring does make sense, managing the discourse around it is more important than ever.

The challenges of cross-border communication can be quite subtle. Language barriers, for example, are less of a problem for those providing information than for those receiving it; it's easy for a Chinese manager to make a comprehensible presentation in English but harder to get people listening to it to invest in comprehension. Research shows, for example, that people very quickly tune out when they have trouble understanding an accent. Companies could do far more to take advantage of modern communications to close not only geographic but also cultural and demographic distances.

Identity and Reputation

Establishing a strong one-firm identity will be key to managing long-distance interactions in the days ahead. Firms that have clear and well-understood values and communication norms but also respect diversity are likely to deal better with cultural and national differences in developing, communicating, and executing strategies. Strong global leadership-development programmes can also help—although in the present environment these seem to be subject to the same kinds of cuts as, say, golf tournament sponsorships. The general point is that firms will need to invest in organisational glue if they are to remain more than the sum of their parts.

The identity challenge posed in the new environment is not only internal. With government taking on an expanded role as investor, customer, regulator, and tax collector, corporate diplomacy is becoming a more important component of strategy in the post-crisis world. In such an environment, the insistence that the marketplace should completely dictate outcomes is unlikely to win friends and influence people. CEOs and other executives will need to spend more time managing government relationships.

Beyond simply dealing with the government, however, companies need to come to grips with the fact that the general reputation of business is at an all-time low. In a recent survey conducted in the United States, the Pew Research Center asked the public how much people in 10 occupations contributed to the well-being of society. Business executives were ranked at the very bottom of the group. Only 21 per cent of respondents thought they contributed a lot, while 23 per cent thought lawyers, the second-least-favoured occupation, did. (The military and teaching professions ranked the highest; with scores of 84 per cent and 77 per cent, respectively.)

Though attitudes look a little bit more positive in emerging markets, the standing of capitalism and private business enterprise is being challenged in fundamental ways. Any company that wants to thrive in this environment has to reassess its efforts to bolster its reputation in particular and the reputation of business in general. Because it's not going to be business as usual!

Rebuilding the reputation of business may also help with the broader challenge of protectionism. Since studies show that protectionism flourishes when trust in economic institutions is low, the restoration of trust in business may help contain it.

That concludes our whirl around the strategy wheel. If there is one overarching message to take away from the trip, it's that for the typical multinational the post-crisis world requires a somewhat looser approach to strategy and organisation than was popular just a few years ago. A second important message is that multinationals must increase diversity in their ranks but, at the same time, build cohesive corporate cultures and tighten their talent management practices. That creates a tension, of course. Nevertheless, developed-world companies have to become more cosmopolitan in their world view and more discriminating in their investment choices. They still have time—but not much—to make that adjustment and to exploit what remain strong advantages in many sectors.

Pankaj Ghemawat *(pghemawat@iese.edu) is the Rubiralta Professor of Global Strategy at IESE Business School in Barcelona. He is the author of* Redefining Global Strategy: Crossing Borders in a World Where Differences Still Matter *(Harvard Business Press, 2007).* *This article was published in* HBR, *March 2010.* *Copyright@2009 Harvard Business School Publishing Corporation.*

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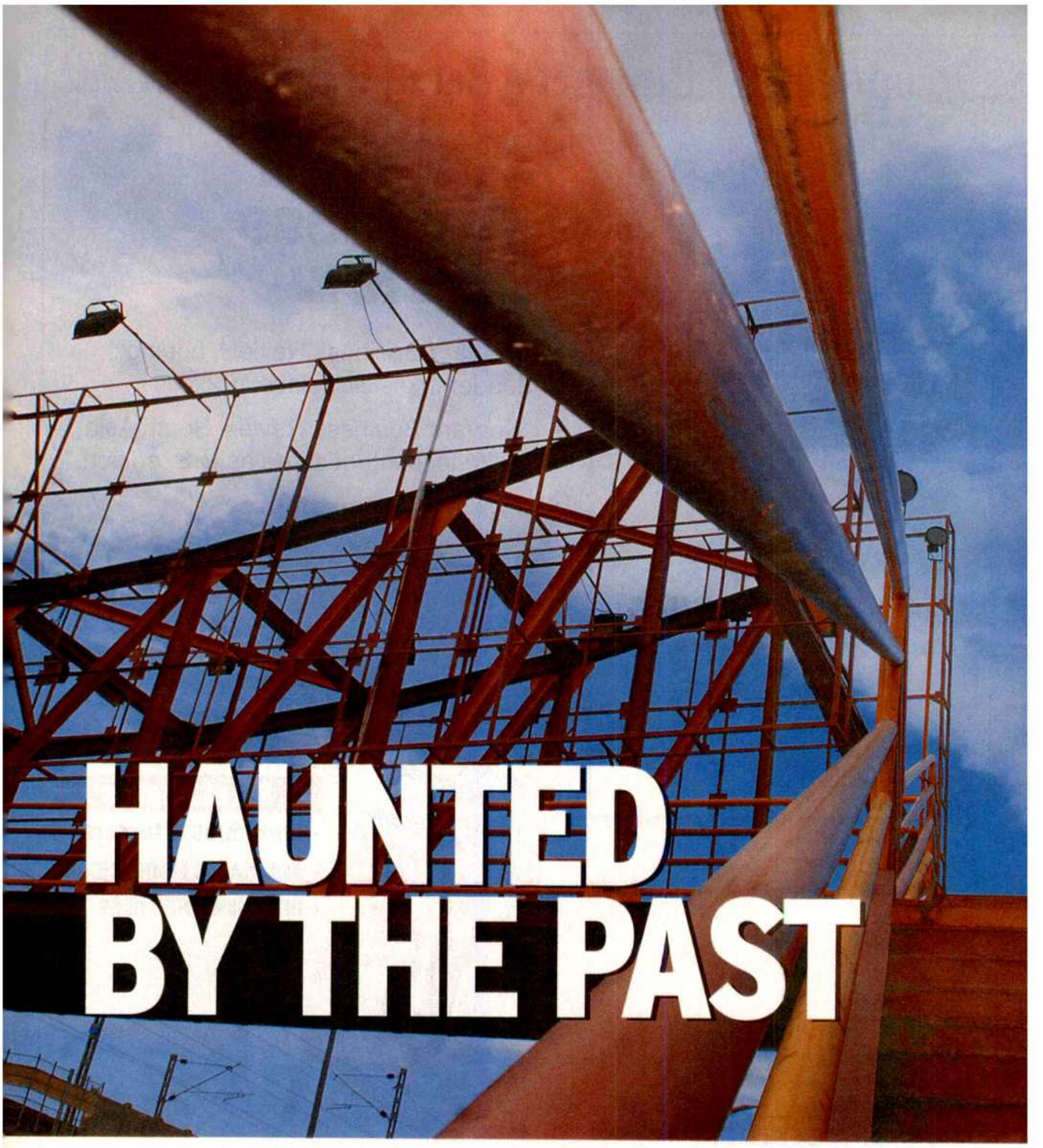
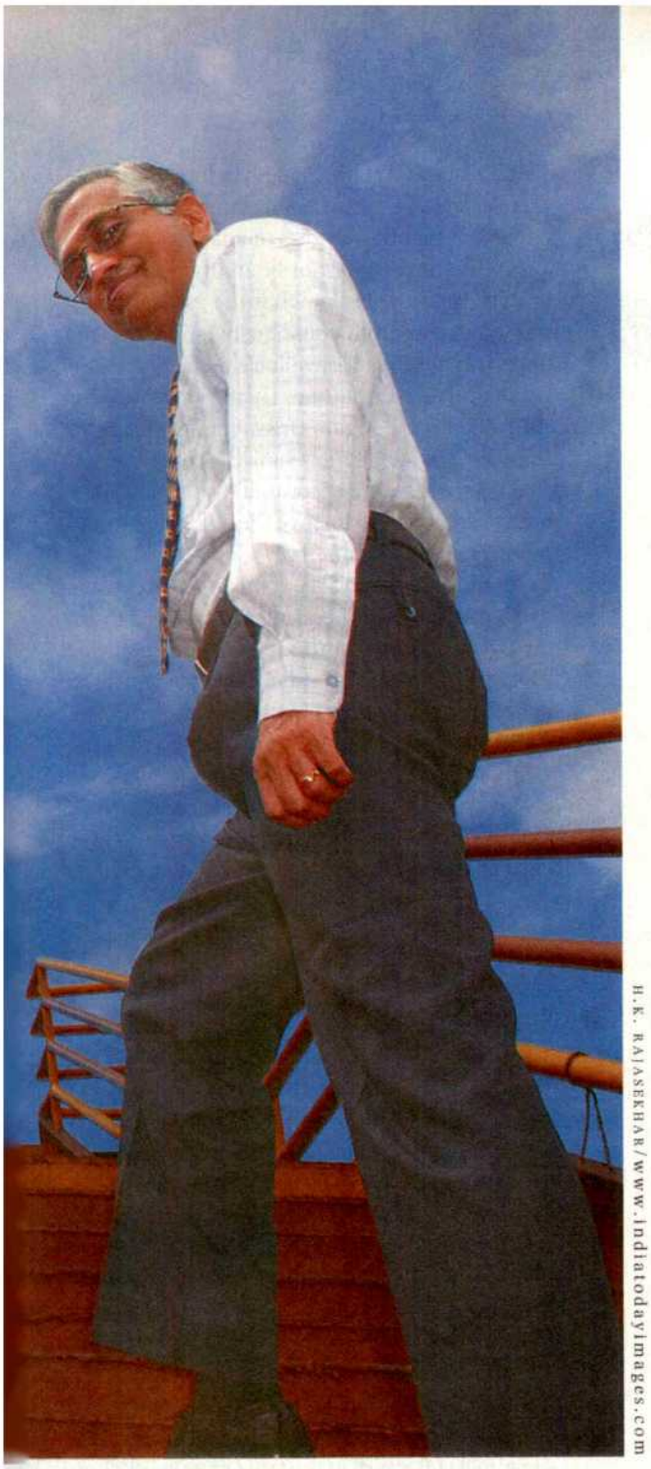


HAUNTED BY THE PAST

Ponni Sugars is desperate to grow and has the cash to do so. But the management needs to think big and change its mindset. N. MADHAVAN

For the past few years, every time the Board of Directors of Ponni Sugars (Erode) Ltd, or PSEL, has met, the most important item on the agenda—apart from current performance—has been growth, growth and growth. Not surprising, considering that this professionally-run sugar mill with a capacity of 3,000 tonnes of cane crushed per day, located in west Tamil Nadu, is almost debt-free and it is sitting on cash reserves and surplus of over Rs 75 crore. That and debt could easily have it invest Rs 300 crore on an expansion to double its current production. PSEL's urge to grow is also spurred by the fact that it is a single location, one-mill company without add-ons like



H.K. RAJASEKHAR/www.indiatodayimages.com

The only way to meet shareholders and stakeholders' expectations is through growth, feels Managing Director N. Ramanathan

The Problem
PSEL has for long remained a stand-alone sugar mill and this has meant flat growth in revenues/profits, apart from greater impact from sugar cycles.

The Challenge
Despite sitting on cash and being almost debt-free, PSEL is finding it very difficult to grow.

The Mindset
Opportunities exist in states like UP and Bihar but PSEL management is yet to recover from its Orissa nightmare and the consequent loss of its risk appetite.

The Solution
The management needs to leave the past behind, learn from its mistakes and work out innovative strategies to grow the company.

a distillery and co-generation facility, and so all the more vulnerable to the sugar cycles. "We want to grow. That is the only way we can meet the expectations of the company's shareholders and other stakeholders," says N. Ramanathan, Managing Director of the listed company, which has a 43 per cent public shareholding, with 45 per cent held by the promoters, including Seshasayee Paper & Boards.

But, despite the management's firm commitment to growth, PSEL has been unable to expand. "What is standing between the management and growth is the opportunity or rather, the lack of it," explains Ramanathan.

PSEL cannot expand at its current location, Pallipalayam in Namakkal district, because there's not enough sugarcane around it to feed the new capacity. Like every other sugar mill, PSEL has to buy its sugarcane from a "command area" or cane-growing area around it earmarked by the state government. And PSEL's command area cannot grow any more sugarcane. Almost to keep itself busy PSEL is spending Rs 95 crore to set up a 19-MW co-generation plant to make good use of bagasse, the waste left after cane crushing. It has plans for a distillery too. Both are usual sugar mill businesses, and it is not keen to get into unrelated areas.

The company can't expand at another location in the state, because practically all sugarcane-growing areas have been earmarked for one sugar mill or the other. In fact, in 2006, when the state government carved out new command areas to allow some more sugar mills to come up, PSEL fought very hard to get an area allocated to it. But it was up against players many times its size and lost out. "Today, there is virtually no promising location in the state for putting up a new sugar mill," says Ramanathan.

Acquisitions are also not an option for PSEL. Most private sector mills in the state are several times its size, and the state government is in no mood to sell the loss-making co-operative and public sector mills that are otherwise ideal targets.

Some opportunities did come in neighbouring

COMMENTARY-1

Look for a strategic partner

V. RANGANATHAN, Partner, Ernst & Young

Sugar industry in India suffers equally from the vagaries of weather and political interference. Unlike most other industries, its scalability in the same location and horizontally across different geographies is highly constrained. This industry is a continuing aberration in the present economic environment. Essentially, most sugar companies operate in a single state. In the current case study, the reluctance to diversify to a different state/location may be more on account of the political dynamics to be handled, than the scar of a past wound. While it may be incorrect to second guess the management, which is more competent to decide in this matter, the following options can be considered for ensuring growth:

It can buy back the non-promoter holding, de-list the company and then invite private equity to expand into new areas. This way, it can take a level of risk not possible for a listed company.

- Since the company has enough cash, after setting apart the requisite amount to meet the cyclical downsides, it can consider an approach to buy back the public (non-promoter) holding, de-list the company and then invite private equity, as appropriate, to undertake expansion into new areas. This strategy will help Ponni Sugars Erode Ltd. to undertake a level of risk which may not be possible for a public-listed entity.
- Look at a strategic partnership with a large player (from a different state) for a common facility in a congenial state for the risk and reward to be duly shared.
- Look at a merger/equity swap with a large player so that both entities benefit from geographical de-risking and share a larger cake. (The way Bharti Airtel and MTN wanted to but could not.)

It is, without doubt, not an easy decision to make.

Karnataka and Andhra Pradesh in the early part of this decade but PSEL was not financially strong enough at that time to grab them.

While there may not be many options for growth in south India, what the PSEL management has chosen to consciously ignore are the opportunities that are available in the north—in Uttar Pradesh and Bihar. There is a reason for this: The Ponni Sugars Orissa misadventure in the 1990s, which almost sank the company.

"I agree there are opportunities in UP and Bihar but we do not seem to have the risk appetite any more," admits Ramanathan.

In the early 1990s, the company, then known as Ponni Sugars & Chemicals Ltd, decided to enter Orissa. That was the time when its Erode unit (five years into operation) had paid off all its debt and was sitting on surplus cash. Ponni could not expand within Tamil Nadu as the government had reserved sugar manufacturing for co-operatives and the public sector. But the Orissa government was inviting private sector participation in the sugar sector. In many ways,

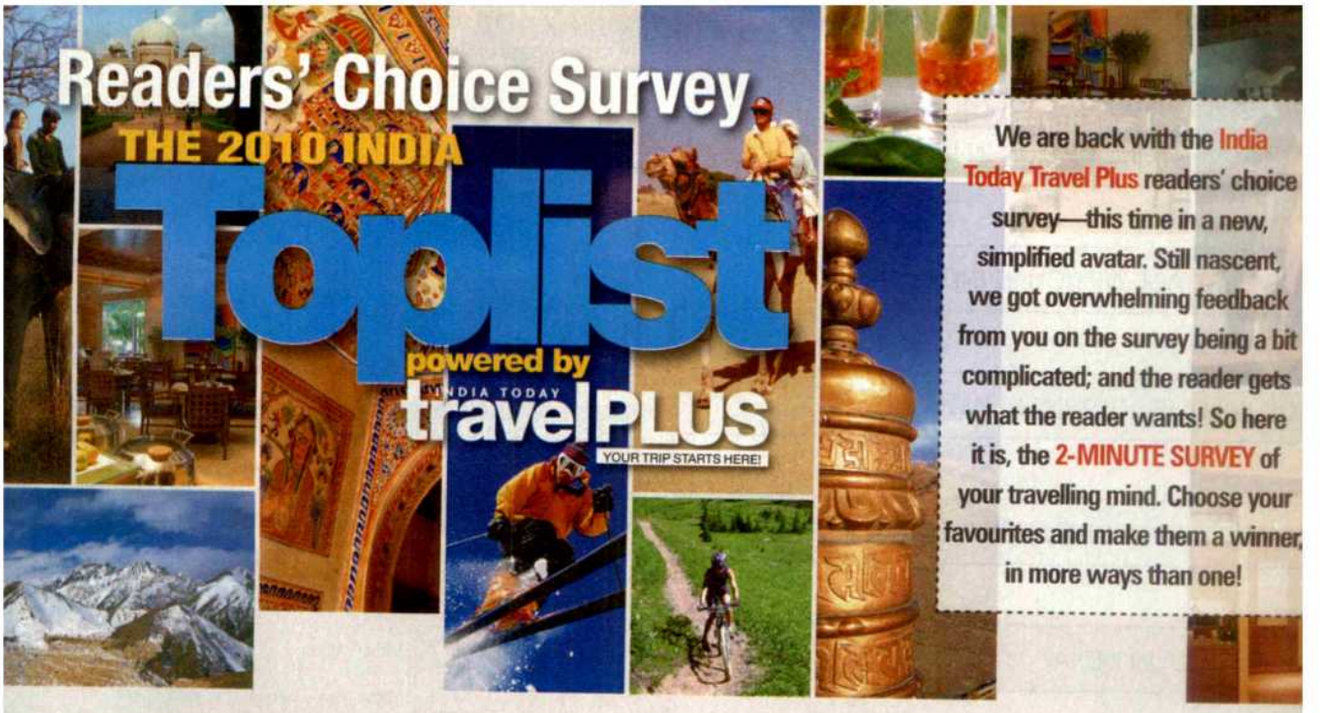
"I agree there are opportunities in Uttar Pradesh and Bihar but we do not seem to have the risk appetite any more"

N. Ramanathan, MD, PSEL

Orissa was an attractive location for sugar investment. It had just four sugar mills and thus a large command area was available for the taking. Compared with Tamil Nadu, Orissa gets plenty of rain and has perennial rivers—crucial for sugarcane, a water-guzzling crop. More importantly, the whole of eastern India was sugar-deficit and the sweetener's price in the region always commanded a premium over other markets.

Even so, before putting its money in Orissa, Ponni Sugars decided to take up a co-operative sugar mill at Bargarh in western Orissa in 1991 on a 16-year management contract. In the very first year of the contract, the mill successfully managed to crush 1.30-lakh tonnes of sugarcane as against its earlier average of just 50,000 tonnes. "That was our bad luck," says Ramanathan. Emboldened by the good availability of sugarcane, Ponni began in 1992 to invest in a sugar mill at Bolangir, just 100 km from Bargarh.

When the plant began operations in 1994, Ponni's dream run ended. The mill faced a huge sugarcane shortage as the farmers in the area



We are back with the India Today Travel Plus readers' choice survey—this time in a new, simplified avatar. Still nascent, we got overwhelming feedback from you on the survey being a bit complicated; and the reader gets what the reader wants! So here it is, the 2-MINUTE SURVEY of your travelling mind. Choose your favourites and make them a winner, in more ways than one!

HOW IT WORKS: Very simple. Fill in your favourite in each category and add any detail that you feel like. If you have more than one favourite, that's okay too. Just put them in an order of preference. So cut this form out and send it to us (address overleaf) or just visit our website and fill in the form online: **www.travelplus.in/toplist**

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TOP BUDGET HOTEL IN INDIA
Affordable and comfortable

TOP BOUTIQUE/HOMESTAY IN INDIA
Standalone retreats

AIRLINES

TOP DOMESTIC, FULL SERVICE

TOP DOMESTIC, NO FRILLS

SPA

TOP DAY SPA IN INDIA, STANDALONE

TOP HOTEL SPA IN INDIA

TOP SPA RESORT IN INDIA

DESTINATION

TOP ADVENTURE OPTION IN INDIA

TOP HERITAGE OPTION IN INDIA

TOP WILDLIFE OPTION IN INDIA

TOP SPIRITUAL OPTION IN INDIA

TOP BEACH IN INDIA

TOP CITY IN INDIA

DINING AND NIGHTLIFE

TOP FINE-DINING IN INDIA, STANDALONE

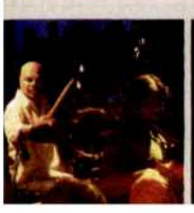
TOP FINE-DINING IN INDIA, WITHIN HOTEL

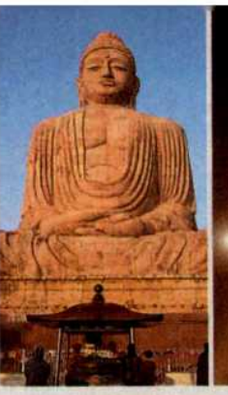
TOP LOCAL RESTAURANT IN INDIA

TOP CAFÉ IN INDIA

TOP PUB/BAR IN INDIA

TOP LOUNGE/DISCO IN INDIA





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Under 20 years	☐	Under Graduate	☐
20-30 years	☐	Graduate	☐
30-40 years	☐	Post Graduate	☐
Over 40 years	☐	Other (Please specify)	☐

Average monthly household income	
Less than Rs. 25,000	☐
Rs. 25,000 - Rs. 50,000	☐
Rs. 50,000 - Rs. 75,000	☐
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Occupation	
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☐ Star SME *(Company/ Enterprise)**

☐ Best Green SME *(Eco-friendly Products/ Procedures/ Processes)**

☐ Best SME in International Trade*

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** Separate awards will be given in each **Enterprise Category***

3. Basic Information

a. Name of the Company: _____

b. Name of the CEO/ MD/ Proprietor of the Company: _____

c. Address of the Company: _____

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d. Phone: _____

e. Fax: _____

f. Website: _____

g. e-mail: _____

h. The Company is *(tick whichever applicable)*: ☐ Private Ltd. ☐ Public Ltd. ☐ Partnership ☐ Proprietorship

i. Industry segment in which the Company is operating:

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☐ Lawyers
☐ Travel and Tourism
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☐ Retail Merchants
☐ Logistics
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☐ IT/ITeS
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☐ Hospitality
☐ Telecom
☐ Auto Ancillary
☐ Others

If others, please specify _____

j. Number of years in operation? ☐ <3 ☐ 3-5 ☐ 5-10 ☐ >10 years

k. Is the Company listed? ☐ YES ☐ NO

l. Has the Company been rated by any Rating Agency? ☐ YES ☐ NO. If yes, Please specify the Rating and the Rating Agency?

_____

m. Company's spend on CSR initiatives as a %age of turnover? ☐ NIL ☐ <0.5% ☐ 0.5-2% ☐ 2-5% ☐ 5-10% ☐ >10%

n. Company's spend on R&D initiatives as a %age of turnover? ☐ NIL ☐ <1% ☐ 1-5% ☐ 5-10% ☐ 10-20% ☐ >20%

o. What is the number of product/process patents in the Company? ☐ NIL ☐ 0-2 ☐ 2-5 ☐ >5

p. Has the Company taken any measures for Waste Management/Afforestation/Greenhouse Mitigation? ☐ YES ☐ NO

q. Does the Company use Renewable energy/Eco Friendly Materials? ☐ YES ☐ NO

r. Has the Company complied with mandatory requirements of Clause 49? ☐ YES ☐ NO

s. Is the Company an existing customer of YES BANK Ltd.? ☐ YES ☐ NO

4. Financial Performance

	FY 2008 – 09	FY 2007 – 08
Turnover (INR crore)		
PAT (INR crore)		
Net Worth (INR crore)		

a) Are the financial statements audited? ☐ YES ☐ NO

b) Forex revenues as a %age of Turnover? ☐ <1% ☐ 1-10% ☐ 10-30% ☐ 30-60% ☐ >60%

c) What is the %age of Imports among Total Purchases? ☐ <1% ☐ 1-10% ☐ 10-30% ☐ 30-60% ☐ >60%

d) Name top two banks/financial institutions the Company has relations with: 1) _____ 2) _____

☐ I hereby confirm that the above information is true & accurate.

[Company Stamp & Authorised Signature]

Please Note:

1. The jury reserves the right to reject/accept and decide the award winners. No dispute in this regard shall be entertained.
2. Please note that shortlisted entries will be asked to provide additional information including audited financial statements.
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- All information sent by the company is subject to verification available on public domain and company agrees to furnish the facts as demanded from time to time for any significant variations noticed and communicated by award committee.
- Receipt of the filled form shall be taken as a token of acceptance of the terms and conditions.
- Only the entries that follow the prescribed format shall be accepted.
- Entries are non-returnable.
- We recommend that you maintain a copy of your completed nomination form.
- Judges may move entries between categories if deemed to be unsuitable for the category entered.
- The organizers reserve the right to publish all entries wholly or in part, as case studies or for publicity purposes.
- Short-listed nominations will be presented to an Independent Jury for determination of winners. Jury's decision shall be final and binding on all participants. No feedback or correspondence will be entered into about the results and the judges' decisions shall be final.
- If any information provided by any participant is found to be incorrect in any manner, the participant will not be permitted to continue participation in the Awards. If a request for proof of information provided in the nomination form is made by the Awards Management, the participant should be able to provide the same.

were reluctant to grow the crop. In the first year, sugarcane availability was just one per cent of the requirement—against the usual 10 per cent when farmers first start growing cane. In the second year it was 10 per cent, third year 25 per cent and then it settled at just 40 per cent from the fourth year—just when sugar mills typically reach full capacity use. With unviable crushing levels, the unit began to incur losses.

To ensure higher sugarcane availability, the company spent another Rs 20 crore on setting up lift irrigation systems for the farmers. "It was like throwing good money after bad. We had put up the plant and we desperately needed the raw material," says Ramanathan. But by 1999, it was clear that nothing was working and the total cost of the project had shot up to Rs 120 crore.

Ponni Sugars' management realised that it had erred on many fronts. The timing of the expansion could have been better. India had just liberalised and the latent demand from industry had pushed up capital cost by 25 per cent and interest cost by 50 per cent. The first five years of the Bolangir unit's operations also coincided with a downturn in the sugar industry. Ideally, it made sense to set up smaller capacity first and then ramp up, but government rules did not permit that. "Using Bargarh as a dip stick to enter Bolangir was another big mistake," rues Ramanathan.

The continuing losses at Bolangir began to drag down the profitable Erode unit, too. The company had to take a decision before it was too late. It formally segregated the two units via a demerger. In 2001, Ponni Sugars split into Ponni Sugars Orissa Ltd. and PSEL. Being a profitable unit, PSEL took a larger proportion of the debt. Ultimately, banks took over Ponni Sugars Orissa Ltd. and sold it to recover its dues.

Thanks to the revival in the sugar industry since then, PSEL has cleared all its debt. In 2009-10, it reported a profit of Rs 37 crore on revenues of Rs 255 crore. It can't be in a better position to grow. Today, the world, for erstwhile Ponni Sugars and now PSEL, has come full circle. That seems to be the catch. The management finds it difficult not to relate the current situation with that in 1991 when the company was in a similar state and made the decision to enter Orissa. It fears another Orissa, if it enters UP or Bihar now.⊙

Case studies on Nirula's, ITC's e-Choupal, Harrisons Malayalam and MRTS Chennai are available on **www.businesstoday.in**

COMMENTARY-2

Forget the past and move on

Prof. BALA V. BALACHANDRAN
Founder & Dean, Great Lakes Institute of Management

Though the past has been difficult for Ponni Sugars Erode Ltd. (PSEL), it needs to move on. All regions in India are not the same and uncertainties are inevitable in business. What happened in Orissa may not necessarily happen in Uttar Pradesh or Bihar. On the contrary, even if Orissa had been a success, it does not guarantee success for PSEL's forays into other regions.

At a time when companies are resorting to inorganic growth and diversification into unrelated areas to sustain their rate of growth, PSEL should not hesitate to exploit the organic growth opportunities that have come about in UP and Bihar. Once you have burnt your fingers, memories do linger. The company should look at the Orissa fiasco as an opportunity to learn some hard lessons and correct the mistakes made earlier. A more detailed due diligence and the lessons from the past should ensure success for PSEL's future endeavour.

At a time when companies are resorting to inorganic growth and diversification to sustain their rate of growth, PSEL should **exploit the organic growth opportunities** in UP and Bihar.

Growth for PSEL can also come by other means. Sugar is a vital industry. The most crucial element of the industry is the availability of sugarcane, which is fast turning scarce. PSEL can look at extracting sugar from beet–like it's done in the United States. Beet consumes less water and is healthier. PSEL can market its sugar then as a healthier option and thus benefit from better realisation. It can also look at organic sugar, which is a big hit in the United States. Export realisation can be at a 200 per cent premium.

Keeping the money sitting in the bank instead of deploying it efficiently will be an open invitation for unfriendly takeovers from players who have very short-term outlook. What PSEL needs to do now is to identify the growth path, plan efficiently, take calculated risks and go after opportunities.

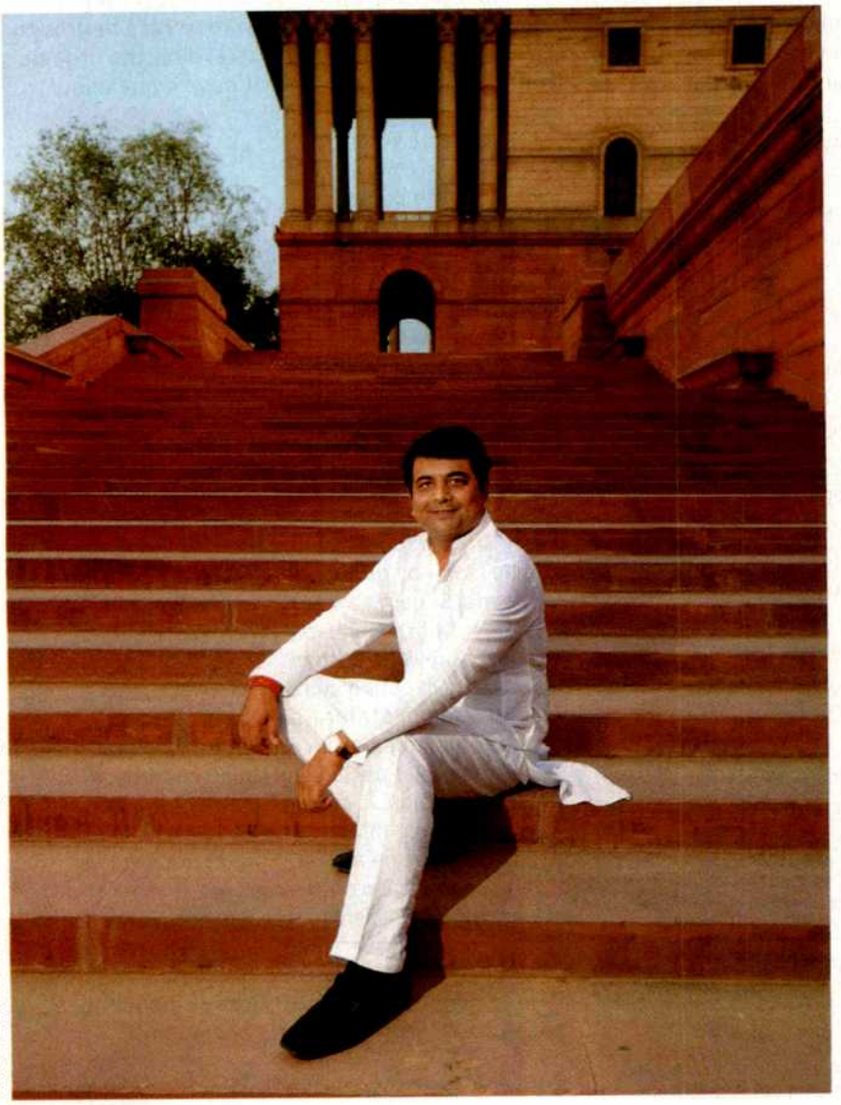
THE WORKLESS

Meet some ministers of state who are brimming with ideas and

A money order delivered the next day to your cook's family. Clean drinking water in a remote village. Smooth-as-silk highways coming up without land acquisition hitches. Villagers using service centres to get things done without having to bow to babus.

All right, all right... that's too big a dream—may be. But all these are being made possible in small steps by a bunch of young, can-do ministers with great ideas and implementation skills. *BT* met some of these ministers of state to get to know them, and get a sense of the freshness they bring to problems of governance and development.

The verdict: they are learning the ropes. Some, like Agatha Sangma, have demonstrated their ability to



VIVAN MEHRA/www.indiatodayimages.com

R.P.N. Singh, 46

Road Transport & Highways

QUALIFICATION: History Honours from St. Stephens, Delhi

EXPERIENCE: Opposition MLA for 13 years in Uttar Pradesh

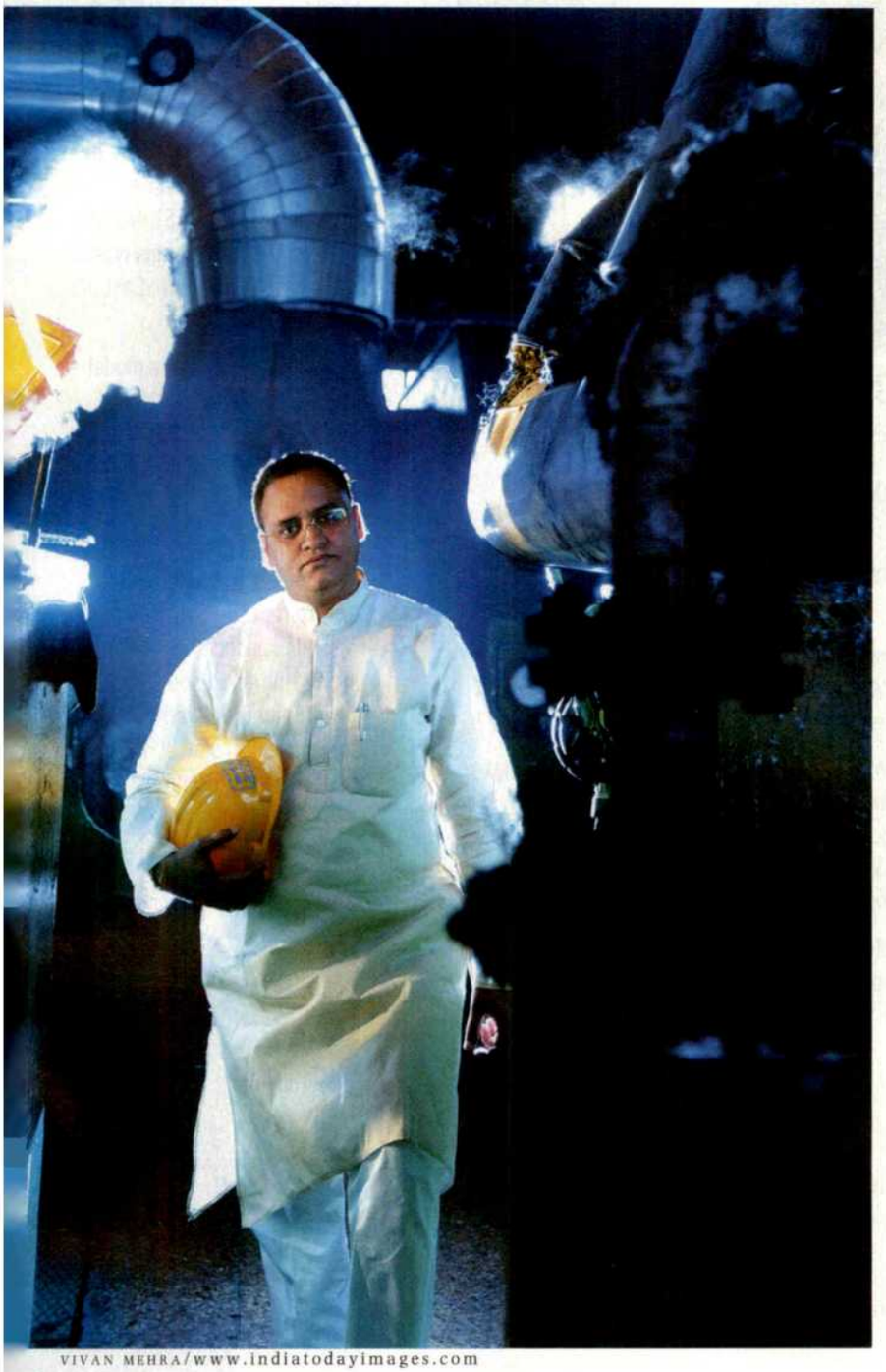
HAS DELIVERED: Against the total land acquisition across all of India from 2006-07 to 2008-09 of 12,767 hectares, pushed through acquisition of 29,750 hectares in the first nine months of current UPA government

WATCH HIM FOR: The Hapur-Garmukhteshwar stretch on National Highway 24 from Dasna; Vijaywada-Hyderabad stretch on the Mumbai-Hyderabad highway

GEN NEXT QUOTIENT: Five hours is the maximum time a file stays on his table if he's in the Capital

WORTHIES

initiative—but could do with more on their table. PUJA MEHRA



VIVAN MEHRA/www.indiatodayimages.com

Arun Yadav, 36

Heavy Industries & Public Enterprises

QUALIFICATION: B. Com

EXPERIENCE: MP since 2007; runs auto dealerships and educational institutions

HAS DELIVERED: Roped in HMT International for taking products of other state-owned firms to overseas markets; got BHEL to give some civil contracts to smaller brethren; expanded the market for a government salt refinery by giving it a brand

IS DOING: Injecting market culture in ailing PSUs, pushing them to break the mould by entering overseas markets and chasing exponential, not incremental growth

WANTS DONE: The government's role doesn't end at making and implementing policies; it must also offer "after-sales service"

SHEKHAR GHOSH/www.indiatodayimages.com

Jyotiraditya Scindia, 39

Commerce & Industry

QUALIFICATION: M.A. from Harvard University and MBA from Stanford University, California

EXPERIENCE: MP since 2002; Minister of State for IT, Communications & Posts in UPA-I

HAS DELIVERED: Implemented the award-winning Project Arrow in India Post. The percentage of non-deliveries of Speed Post, money orders and registered mail has been reduced to decimal figures in the 500 post offices covered in Phase I

WATCH HIM FOR: Delivering the much-awaited government portals aimed at cutting corruption: e-biz for starting, running and closing businesses without human interface at local, state or Central government agencies by obtaining clearances (fire, labour, VAT, MCD, toll certifications) through simplified online forms; e-trade is being planned similarly for clearances required by exporters

GEN NEXT QUOTIENT: Putting technology to use—41 video conference reviews of the performance in Project Arrow post offices between November 2008 and March 2010

come up with big-picture ideas, while others, such as Jyotiraditya Scindia, prefer execution.

The common factor: a preference for solutions that don't leave the people dependent on politicians or bureaucrats, but empower them to take charge of their own lot. Just what heir-apparent Rahul Gandhi wanted.

Take some of the favourite things of R.P.N. Singh, the Minister of State for Road Transport and Highways: gently nudging state governments to acquire land for the highways project, and clearing files in a matter of hours.

Or meet the youngest of the lot, Sangma, a first-time minister. Sangma,

Agatha Sangma, 29

Rural Development
(Drinking Water & Sanitation)

QUALIFICATION: M.A. from Nottingham University, UK, in environment management; Pune University law graduate

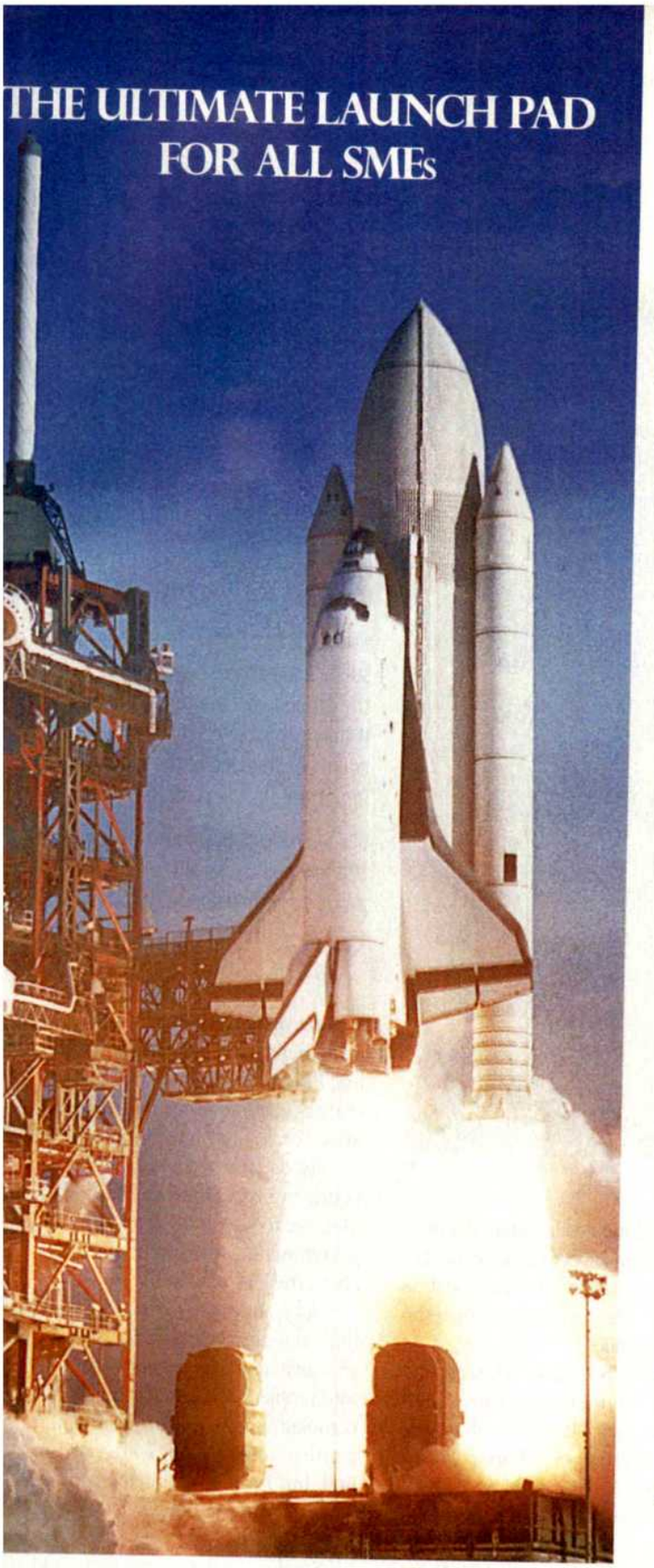
EXPERIENCE: MP since 2008; a lawyer at the Delhi High Court

HAS DELIVERED: Got the National Rural Drinking Water programme to disburse Rs 1,600 crore in 2009-10 for sustainable schemes of states. States are tapping the funds eagerly, and the ones in the North-East are harvesting rainwater

WATCH HER FOR: Building a model that will encourage states to popularise eco-friendly sanitary toilets under the Total Sanitation Campaign

WANTS DONE: Collapse ministry boundaries to implement programmes better. She attends consultative meetings in the Human Resource Development Ministry to have sanitation introduced in the education programmes

SIPRA DAS



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or Contact: Abhinav Bhatia
abhinav.bhatia@yesbank.in

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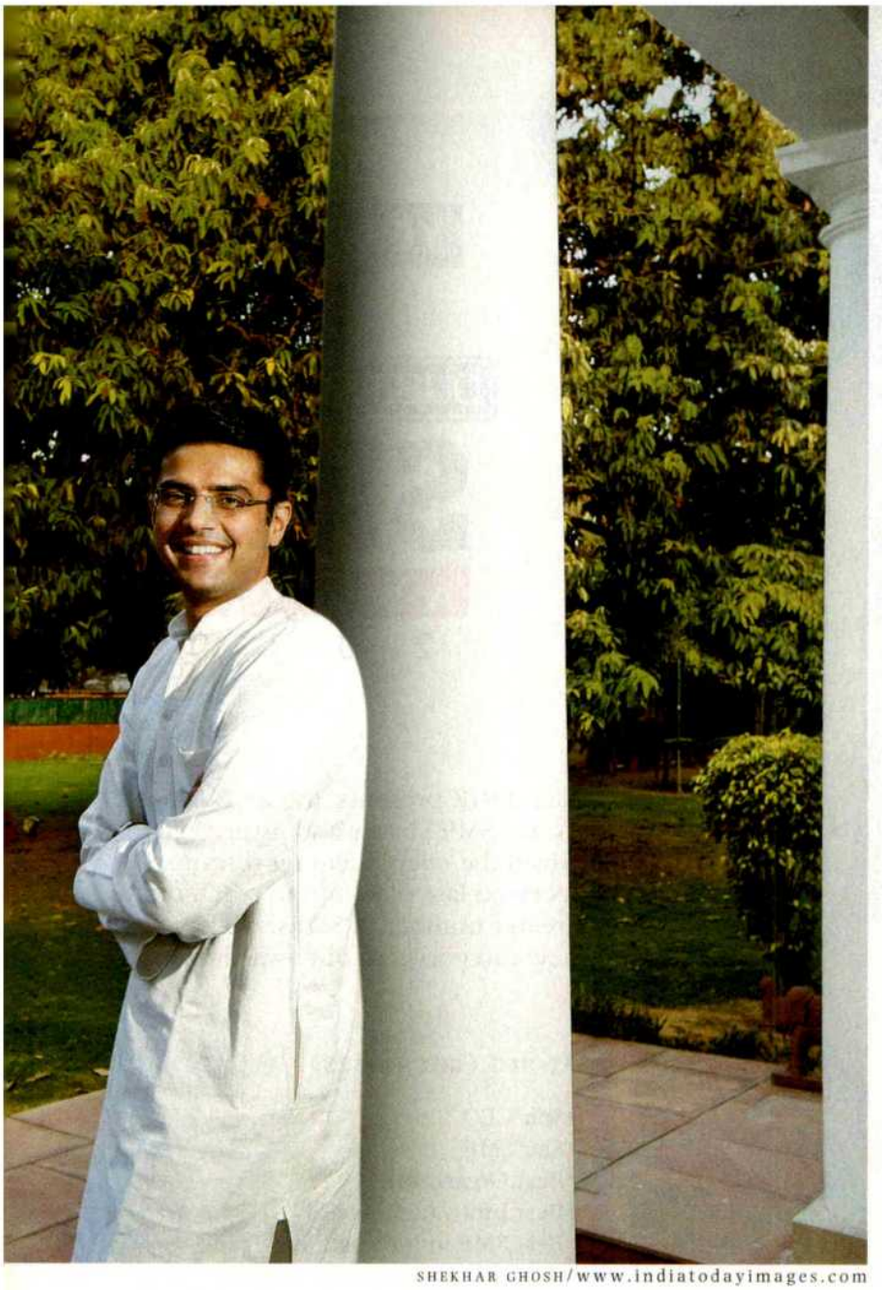

SHEKHAR GHOSH/www.indiatodayimages.com

Sachin Pilot, 33

IT, Communications & Posts

QUALIFICATION: MBA from Wharton

EXPERIENCE: Two-year stint at General Motors; MP since 2004

HAS DELIVERED: Rolling out common service centres under India's national e-governance plan. These centres will deliver digital land records, birth certificates, ration cards, BPL cards *et al*

WATCH HIM FOR: So far, 76,000 such centres have been put on the ground, and are functioning. If they catch on, his ministry could become one of the most important for the common man

GEN NEXT QUOTIENT: One of the few politicians with an up-to-date website

who also happens to be the youngest Member of Parliament today, presides over the Ministry of Rural Development's policies for drinking water and sanitation. The ministry oversees almost all of the UPA's agenda for rural India and releases up to Rs 1,50,000 crore to the states every year.

At her insistence, the Rs 20,000-crore National Rural Drinking Water Programme or NRDWP began offering an incentive for sustainable projects proposed by the states. Earlier, a state had to come up with 10-20 per cent of the funds, and there was no incentive to make a project sustainable. Although funding for sustainable projects has been capped at 20 per cent of the total, states are making a beeline for it since they get full funding if the project qualifies.

Sangma is modest. "The role and capacity of a minister of state is limited," she says. "It is more an opportunity to learn than reshape policies."

Prime Minister Manmohan Singh's choice of berths for the young politicians was judicious. For example, Arun Yadav, Minister of State for Heavy Industries, should find his auto dealership experience helpful in teaching ailing public sector undertakings a thing or two about markets and customers. The tech-savvy Scindia and Pilot were given the job of delivering e-governance solutions to minimise corruption.

Twice this year, a number of young ministers have met the Prime Minister to seek a bigger role in the government, with some complaining about the lack of working space.

Not all have this feeling of not getting enough work, though. Scindia, who loves to roll up his sleeves and dig into problem-solving, for one, is not complaining. "There are many pain points... and solutions are hard to find, but I enjoy identifying a problem, ideating with knowledge, and execution," he says.

So, may be the youngsters could check their porfolios again and see if there is anything they could do better or have missed? ⊙

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INVEST ABROAD

Future growth of Indian companies will be influenced by the share they can garner in the world market.

During last few years, the world has witnessed a lot of acquisitions by Indian companies in overseas markets. Thanks to the Government of India's liberalization policies relaxing foreign exchange regulations allowing Indian companies to invest overseas. Companies invest abroad for a variety of reasons, what is essential to firms is that they seek to increase their international competitiveness. Firms can bring a range of tangible and intangible assets (capital, technology, skills, access to markets, etc.) that are central to development, while countries have assets (natural resources, infrastructure, skills, etc.) that firms need for their production processes as well as the markets that firms require to sell their goods and services.

Globalization and non-discriminatory multilateral trade have opened new doors for Indian corporates. Earlier, there was an accent on inward flows of FDI, portfolio investments, joint ventures and collaborations to tap the growing Indian market, and also technology transfers for enhancing competitiveness of Indian firms. Exports were predominantly the main door to step out towards globalization. Now, the scenario has changed. There is a growing realization that the future growth of Indian companies will be influenced by the share that they can garner in the world market, not only by producing in the country and exporting, but also by acquiring overseas assets, including intangibles like brands and goodwill, to establish overseas presence and to upgrade their competitive strength in the overseas markets.

Overseas FDI benefits Indian companies in many ways. It gives access to wealthier markets with higher purchasing power in foreign countries in addition to providing access to strategic assets like brand names, advanced technology, qualified and skilled work force and natural resources. The increasing number of Indian companies investing in overseas markets reflects their growing competitiveness. These companies realized the importance of accessing international markets, connecting to global production systems and knowledge networks.

The policy regime in respect of outward capital flows has accordingly evolved in spirit with the above trend. In line with our calibrated approach to capital account, greater freedom is now available to corporates to make remittances overseas for their overseas expansion. This is reflected in the increasing global operations of Indian corporates in search of global synergies and domain knowledge. Phased liberalization in the policy of overseas investments has enabled Indian corporates to establish presence in overseas markets on an unprecedented scale redefining the global outreach of Indian entities. Behind this push in overseas acquisitions lies a combination of forces – domestic boom, competitive strength, access to credit, keen desire to achieve global scale and above all self-confidence about Indian business's ability to add managerial value on a global scale. Many acquisitions are taking place through an overseas SPV set up to raise finances from international market.

Overseas investments in Joint Ventures (JVs) and Wholly Owned Subsidiaries (WOS) have been recognised as important avenues for promoting global business by Indian entrepreneurs. JVs/WOS are also important in terms of foreign exchange earnings like dividend, royalty, technical know-how fee and other entitlements on such investments.

LAWS OF INDIA FOR OVERSEAS INVESTMENTS
Companies Act
Income Tax Act
Stamp Duty Legislations
SEBI Guidelines
Takeover Code
Exchange Control Regulations.

PENNSYLVANIA GATEWAY TO NORTH AMERICA

Located in the North East of USA, Pennsylvania stands as an important player in the world economy. Ranked 18th largest economy in the world, Pennsylvania's economy is characterized by diverse blend of industrial manufacturing, advance technologies and service firms.

Life sciences, high technology, advanced manufacturing, and business services are the top industries found in the State. Backed by a $2.8 billion Economic Stimulus Plan, Pennsylvania is taking unprecedented steps to create jobs, retain talent and grow its economy. The State's innovative programs and initiatives provide the capital necessary for growth and innovation for companies ranging from early stage to mature and global. The State of Pennsylvania has established the largest global trade and foreign direct investment program of its kind in the United States. In India, the State has trade and foreign direct investment promotion office in Bengaluru since 2001.

Sushama Kanetkar, Pennsylvania's Representative Director for India informed that her office works with Pennsylvania companies to increase trade with India and assist Pennsylvania businesses in identifying business opportunities and appropriate business partners in India. They also work with Indian companies to attract foreign direct investment into Pennsylvania. With the growing trade between Pennsylvania and India, India is becoming an important trading partner for the State; similarly Indian companies are finding Pennsylvania as an attractive destination for their North American expansion!

Supriya K.-Associate Director with the Pennsylvania India Office is the point of contact for Foreign Direct Investment. Interested Indian companies may contact her to learn more about the business friendly environment in the State and the business and financial incentives provided to foreign investors by the State of Pennsylvania.

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BAVARIA - The economic power house of Germany

Bavaria, the largest state of Germany with Munich as its capital is Germany's strongest and fastest growing economy over the last decade. Bavaria's capital Munich is rated the best for high quality of life in Europe. Bavaria is home to a great number of global players like BMW, Siemens, Audi, Allianz, Infineon, Puma AG, Adidas AG, Infineon, MAN and many small and medium sized companies of world class repute. Munich has Europe's highest-rated real estate market, airport and public transport system. Also, Bavaria enjoys a leading position – nationally and internationally – in key technology sectors such as information and communications technology, biotechnology, energy and medical technology as well as satellite navigation. Out of the 1100 EU regions five of the top ten and twelve of the top twenty-five are located in Bavaria, making the state the number one base for business and quality of life in the Union. Germany is the world's largest generator of solar energy accounting for 52% of the capacity installed worldwide in 2009 and Bavaria contributes 40% of the country's PV (Photo voltaic) facilities making it number one in this field in the country and the world. Besides, Bavaria has a pole position of leadership in geothermal, biomass, hydraulic and other sources of renewable and non-greenhouse gas producing energy. Bavaria is also a world leader in the field of clean technology, automotive, materials & aerospace engineering, ICT, life sciences, optronics, nanotechnologies, industrial & automation technologies and biotechnology.

Innovation – Key to Bavarian Success

Over the years, Bavaria has transformed itself to a economic super power due to consistent efforts of innovation. Siemens, the world leader in every emerging field of electrical and electronics engineering and of medical and communication devices and systems; BMW and Audi, the synonyms for automotive excellence and elegance in automobile industry are all results of innovation. International companies like Microsoft, Intel, Hewlett Packard and Toshiba in IT industry have made Bavaria their home due to innovation. Another important strategy by the government has been to ensure that the growth is state wide. Fürth, Erlangen, greater Nuremberg is major center of medical, wireless and optronic technologies. Augsburg is a leader in environmental technologies, aerospace production and services, and materials engineering with Regensburg and Würzburg being centers of biotechnologies and high-tech services. Innovative, market-leading companies are to be found in virtually every town and village in Bavaria due to the state's policy of building institutions of higher education and research all throughout the state. Bavaria is also well known for the infrastructural facilities available through out the state.

More than 1,500 foreign high-tech firms have established themselves in Bavaria in the recent times. A great number of Indian companies have made Bavaria their home either for their German or European business expansion plans which give easy access to the entire European region. These include companies like Wipro, Infosys, HCL, Nest, Reliance, Quest Technologies, Reddy Laboratories and many more. On the other hand, over 300 Bavarian firms have in the meantime opened representations, their own branch offices or production plants in India. Bavaria is one of the Indian strongholds in Germany with a very vibrant Indian community. The State of Bavaria opened its Office in India at Bangalore in 2001 to offer first hand service for Indian investors. Bavaria –' The High Tech Mecca of Europe' according to Bill Gates offers high quality of life joined with the state's excellent health care, world-class personal safety and security statistics, along with great business opportunities in all sectors of the industries and services makes Bavaria a favorite destination for business leaders from all around the world.

THE FIRST FREE INDUSTRIAL ZONE in CAUCASUS at POTI, GEORGIA

RAKIA, a Govt. of Ras Al Khaimah nodal agency of U.A.E., as an expert in setting up and running Free Zones in various parts of the world, has established the First Free Industrial Zone in Caucasus Region at Poti, Georgia in the Eastern Europe. The project is situated adjacent to the Poti Sea Port and is spread over 300 hectares of the land involving direct investments of more than 400 million USD including the Port, to provide world class infrastructure in the Free Zone. At present successful companies such as Aray Tomorrow (LG Products assembly, Georgia), Zamil Steel (Saudi Arabia), Azersun Holding (Azerbaijan), Multi Group (Armenia); Tbilcement (USA) , Pran Foods (Bangladesh), Ghani Glass (Pakistan), JBF RAK (U.A.E), Mercury Holding (Iran), Vestel (Turkey) etc. have confirmed setting up their units in Poti FIZ. Some have started constructions also.

Rakia Georgia Free Industrial Zone, besides the normal benefits of operating in a free-zone, offers following advantages to the investors:-

- **Safe Investment:** RAKIA has successful track record in developing and running many FIZs in world. RAK Ceramic, RAK Minerals etc. are their Group Companies operating successfully since many years in India. Georgia is highly progressive, democratic country with Sovereign Credit Rating of B+ by International Agencies like Standard & Poor's and Fitch Ratings. It has per capita GDP of 4851US$, high FDI (1564 million US$ in 2008), International Banks like HSBC, Bank Societe Generale (SOCGEN, France), VTB (Russia) etc are operating and keen to finance investments.
- **Economic advantages:** Under GSP+ Agreement with EU & GSP with USA, Canada & Japan, more than 7200 categories can be exported duty & quota free to Europe, USA, Japan, Canada etc. Georgia has FTA with Turkey, Central Asian & CIS countries. The terms/rates offered by Rakia Georgia FIZ are highly competitive to any other Free Zones in this region. Due to this Units based in Poti FIZ will be much more cost competitive to serve markets in EU, CIS and Eastern European countries.
- **Operational advantages (Tax free regime!):** No taxes in import or export from FIZ. Also no taxes on Profit generated in FIZ operations. There is full currency convertibility, full ownership and full repatriation allowed in Georgia. It has high supply of unskilled & semi skilled labour at rates almost equivalent to India.
- **Logistical advantages:** Georgia is centrally located (on the historic "Silk Route" between the East and the West!) to cater to all EU, Caucasian, CIS & Eastern European countries besides the Middle East & north Africa. Poti FIZ, being adjacent to Poti Sea Port (the largest sea port in the Black Sea region), gives tremendous logistical & cost advantages. High connectivity by road, sea and air to all potential markets gives high turnaround, meeting export deadlines and low inventory costs.
- **Business practice advantages:** Georgia is ranked 11th in "Ease of doing business" by World Bank Survey (much above most of the western countries, India , China etc. !).FIZ License is granted in 24 hrs. More than one billion high disposable income consumer market is existing surrounding Georgia with rapid growth & high profitability. Poti FIZ project is a project of national importance for Georgia and therefore has the full support of the pro-active, pro-business Government of Georgia.

Great companies are built in Pennsylvania

...including international ones

Domestic and foreign companies alike have reaped the benefits of Pennsylvania's integration into the global economy. A leader in cross-border projects, with the largest network of overseas offices of any US state, Pennsylvania is committed to breaking down the barriers to entry for businesses looking to relocate or expand.

Not only is Pennsylvania home to almost 6,000-foreign owned businesses employing nearly 250,000 people, we are also one of the nation's fastest growing exporters. Major international companies including Shire Pharmaceuticals, Gamesa, Sanofi-Aventis, Almac, Carel, Pharmaxis and others have all found a place in Pennsylvania's vibrant business community.

Our advanced infrastructure, educated and reliable workforce, wide-ranging initiatives, and critical mass of academic and research institutions make Pennsylvania not only a desirable business location, but also the State of Innovation.

For more information, visit **newPA.com/invest.** or contact **Pennsylvania Trade & Investment Office - India**
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For various other openings in Marketing, Services, Infrastructure and Manufacturing Divisions, please visit our website.

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Idea Engineers, Anyone?

Technology product and services companies seek out creators of user experience.

A few months ago, a United States-based global financial services firm was facing a sticky situation with its structured products. Its products were positioned as something that could be consumed only by high net worth individuals while the firm was keen to expand into the wider retail market. Problem: Its stiff image was scaring away small-time investors.

So, it decided to rope in SapientNitro, touted as a customer experience specialist, to attract retail consumers. The firm's brief: Take abstract values and make them look like tangible products in a digital environment. At SapientNitro, a group of user-experience professionals, copy writers and art directors headed by Jyothish Nair, the Associate Creative Director, set an online design strategy that helped the financial services firm get retail customers.

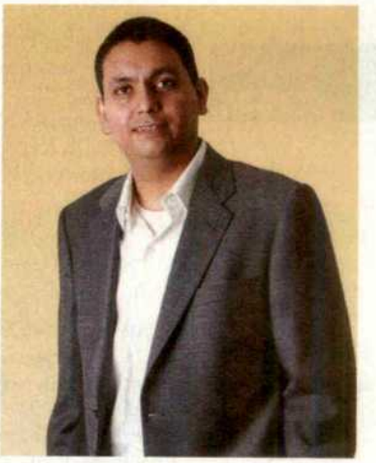
Think next generation of creative teams. When an American shoemaker decided to roll out an application that would enable its buyers to customise shoes on their iPhones, who did it turn to? Or when a beverages giant decided to roll out theme-based cans from its vending machines, who did it approach?

The answer to both these questions is customer experience creators, or idea engineers, as Sapient, an IT services firm that SapientNitro is a division of, calls them. And with a lot of this work being done out of India, talent is in demand.

AMIT KUMAR

"It's a growing tribe and we look for talent with experience in design, artwork and work flow"

Jaleel Abdul,
Director (HR), Adobe Systems India



"We hire technologists from tech firms and creative professionals from traditional and digital advertising firms"

Prashant Bhatnagar,
Director (Hiring), Sapient India

Explains Prashant Bhatnagar, Director (Hiring) at Sapient India: "Digital is at the core of business. Companies in any sector require digital channels to engage customers." These technology platforms vary: it could be a website, social media, smartphones and even a mobile application.

Companies like Adobe Systems India, which has an experience design group, see big demand for this profile. "It's a growing tribe and getting talent is very difficult," says Jaleel Abdul, Director (Human Resources).

The line between creative and technology profiles seems to have blurred. Adobe looks at non-technology companies to hire from and visits campuses like that of the National Institute of Design, Ahmedabad. "We are looking for left-right brain combinations," says Abdul.

These teams include brand strategists, creative experts, technologists and programme managers. Explains Gita Dang, technology hiring expert and Founder-Director of Talent Advisory Services, a boutique executive search firm: "These roles could vary, but almost always involve converting technology into a product offering for the user." ⊙

SAUMYA BHATTACHARYA

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Infotech Enterprises Limited
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Description: 8+ years of total IT exp. min. 2-5 years of project management management. Exp. on any project manage tool like MS Project.

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Location: Delhi
Job ID: 8358324
Description: 7 - 10 years IT experience with background in software sales, ability to work with partners, system integrators and OEM.

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Job ID: 8200372
Description: Hands-on experience in Web Development, project management exp., understanding of commerce & retail domain, familiarity with CMMi.

Firstsource Solutions Limited
Technical Support Executive (voice)
Location: Mumbai
Job ID: 8277906
Description: Graduates/ Undergraduates with 1 yr of full time work experience. (Any industry). Computer knowledge is must.

Web Development Co. Ltd.
Siebel Configurator
Location: Bangalore
Job ID: 8131521
Description: 3+yrs experience as in Siebel Configuration with exposure on Config workflow and scripting. Resource must have good communication skills.

Logix Microsystems Ltd
TeamLead Java/J2EE
Location: Bangalore
Job ID: 8295498
Description: Thorough knowledge of UML. Good experience in mentoring a team. Technology skills: J2EE Technologies, Spring Framework, Spring MVC etc.

Dishman Pharmaceuticals and Chemicals Limited
Consultant - SAP - MM
Location: Ahmedabad
Job ID: 8286995
Description: Atleast 4-9 years of experience as an MM SAP Consultant . Must have implemented full cycle of the module in atleast 2-3 large size industries.

Symantec Corporation
SQA Engineer / Sr. SQA Engineer
Location: Chennai
Job ID: 8179895
Description: Should have worked on test automation projects in shell/PERL scripting on UNIX (Linux/Solaris) platforms.

Tech Mahindra Limited
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Location: Pune
Job ID: 8354057
Description: Responsible for generating and baselining JRD business requirements; support for UAT/ Operational Readiness etc.

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Cisco Systems (India) Private Limited
Account Manager Sales
Location: Delhi, Mumbai
Job ID: 8190435
Description: Responsible for incre account penetration, customer satisfactio sales growth for long term results

Kewal Kiran Clothing Limited
Sr. Executive / Executive – Sales
Location: Chandigarh
Job ID: 7814672
Description: The person shall be responsible for achieving the Sales target within the assigned territory through dealers / distributors.

Akken Tech
Senior Sales Executive
Location: Hyderabad
Job ID: 8145313
Description: Develop and maint customer database. Develop and presentations of company products services to potential clients.

TalentPro
Marketing Officer /Sr Executive
Location: Mumbai
Job ID: 8347224
Description: Graduate in any field & desirable: MBA in Marketing. 3 years of full time experience in Corporate Sales.

NEC India Pvt Limited
Business Development Manager
Location: Delhi
Job ID: 8346635
Description: Understanding cus requirements on security related pr opportunities. Promote NEC se technologies to federal and state govts.

CIBER INC
Presales Professionals
Location: Bangalore
Job ID: 8317966
Description: Taking care of new Business Proposals. Exposure to RFPs, RFQs and RFIs. Working on offshore onsite models.

Quadlabs Technologies Private Li
Business Development Manager
Location: Noida
Job ID: 3482203
Description: Working closely wit Marketing team to finalize the strategy fo Target based sales and revenue generatic

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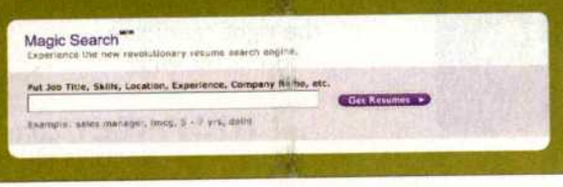

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Manager - Taxation
Location: Mumbai
Job ID: 7760743
Description: Hand on experience of Sales Tax, Income Tax and other direct and indirect taxation. Filling of Returns. Handling TDS.

Juniper Networks Inc
POS Team Manager
Location: Bangalore
Job ID: 8324117
Description: Ensuring receipt of POS files through various channels (EDI, Infonow) on-time and accurately. Excellent co-ordination skills and more.

Yahoo Software Development India Pvt Ltd
Finance Manager
Location: Bangalore
Job ID: 8281058
Description: Looking for CA with min. 5 year industry experience or CA inter with 10 years exp. Preferably experience in MNC media / internet company.

McGraw - Hill Companies
Accountant
Location: Noida
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Description: Bank & GL Reconciliation, Preparing Journal vouchers and data entry in ERP system. Tracking Bounced & Stale Cheques.

NetApp
Statistical Analyst
Location: Bangalore
Job ID: 8320689
Description: MBA or Masters in Statistics, engineering graduate a plus. Must have 5+ yrs of experience. Must have experience on SPSS (Statistical Tool).

Oracle Financial Services Software Ltd
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Location: Goa
Job ID: 7945254
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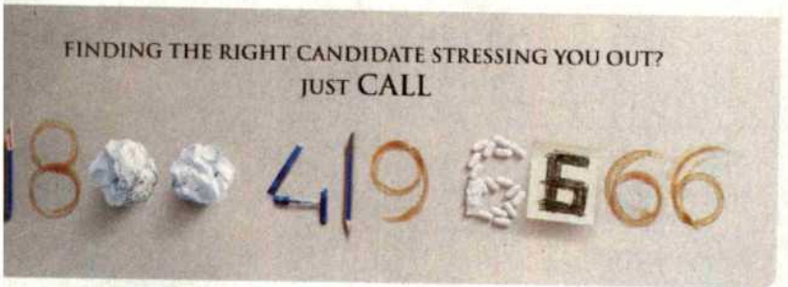

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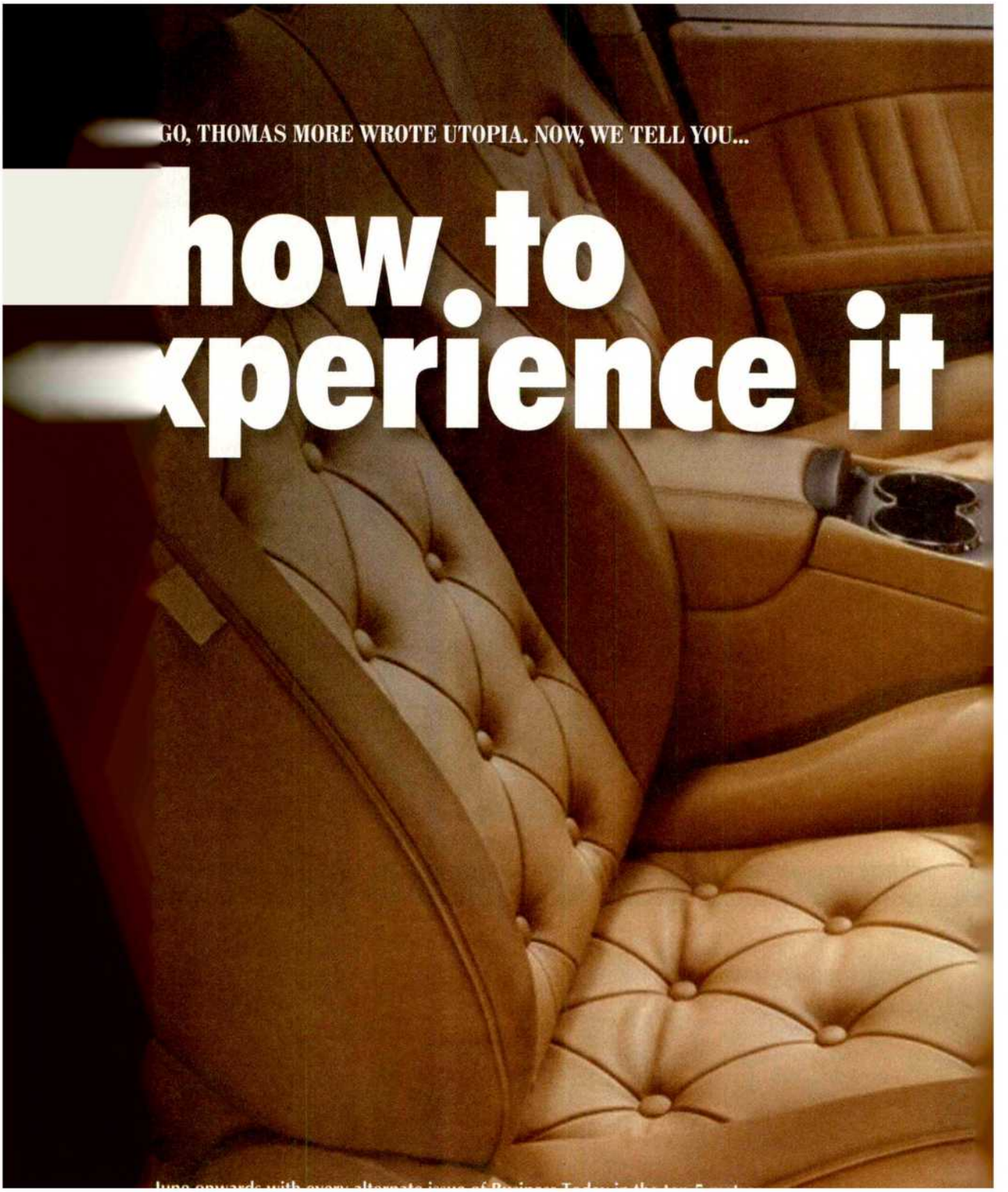
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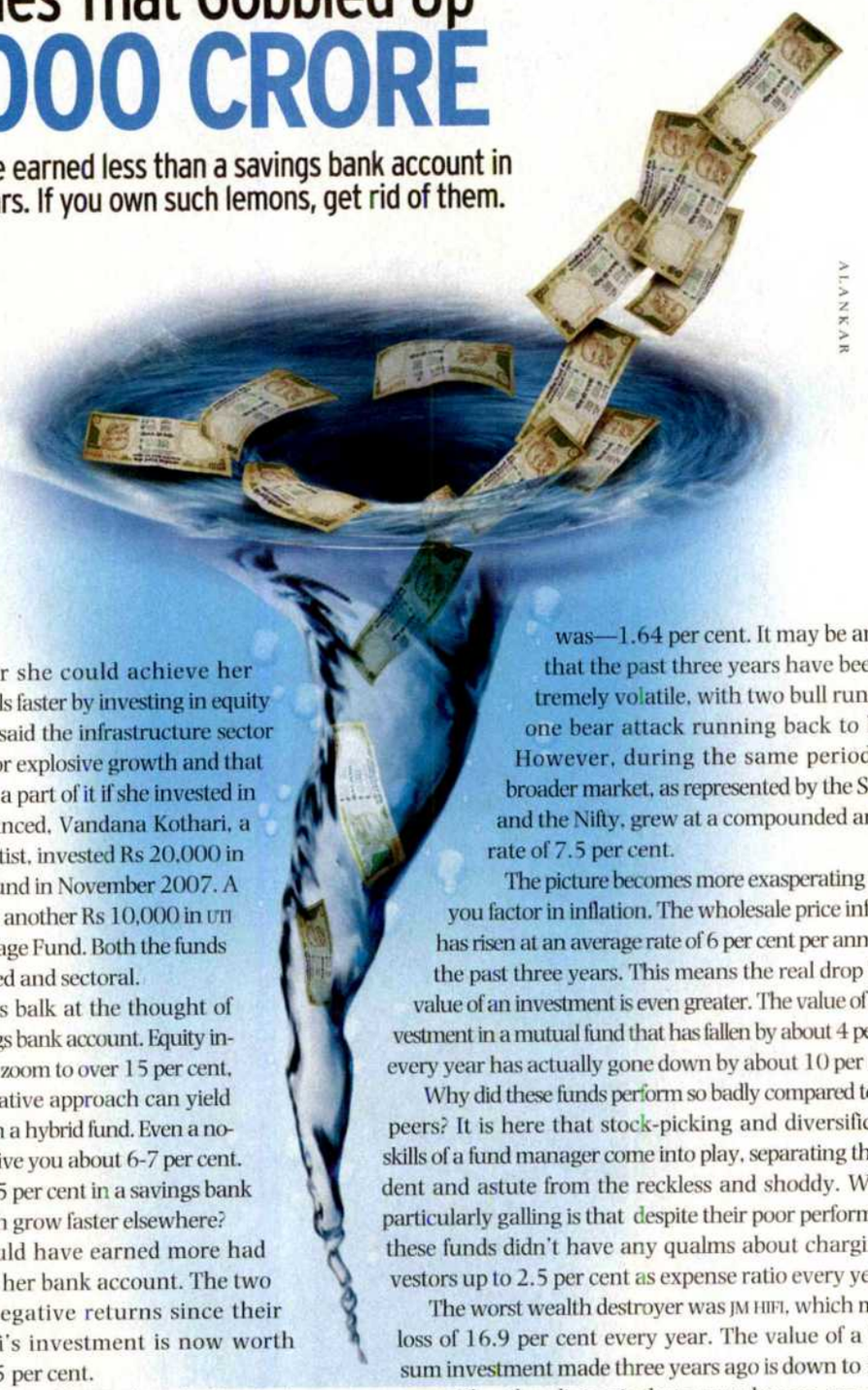
Black Holes That Gobbled Up Rs 7,000 CRORE

Several funds have earned less than a savings bank account in the past three years. If you own such lemons, get rid of them.

BABAR ZAIDI



ALANKAR

They told her she could achieve her financial goals faster by investing in equity funds. They said the infrastructure sector was poised for explosive growth and that she could be a part of it if she invested in two new funds. Convinced, Vandana Kothari, a Santiniketan-based artist, invested Rs 20,000 in Lotus Infrastructure Fund in November 2007. A month later, she put in another Rs 10,000 in UTI Infrastructure Advantage Fund. Both the funds were new, closed-ended and sectoral.

Financial planners balk at the thought of money lying in a savings bank account. Equity investments can make it zoom to over 15 per cent, while a more conservative approach can yield about 10-12 per cent in a hybrid fund. Even a no-risk fixed deposit can give you about 6-7 per cent. Why earn a piffling 3.5 per cent in a savings bank when your money can grow faster elsewhere?

Yet, Kothari would have earned more had her money stayed in her bank account. The two funds have given negative returns since their launch and Kothari's investment is now worth Rs 25,500, down 15 per cent.

The consolation for Kothari is that she is not alone. More than Rs 7,000 crore invested in 36 consistently underperforming equity funds earned less than this between May 2007 and April 2010. The average annualised returns earned by this category of lemons during the three years was—1.64 per cent. It may be argued that the past three years have been extremely volatile, with two bull runs and one bear attack running back to back. However, during the same period, the broader market, as represented by the Sensex and the Nifty, grew at a compounded annual rate of 7.5 per cent.

The picture becomes more exasperating when you factor in inflation. The wholesale price inflation has risen at an average rate of 6 per cent per annum in the past three years. This means the real drop in the value of an investment is even greater. The value of an investment in a mutual fund that has fallen by about 4 per cent every year has actually gone down by about 10 per cent.

Why did these funds perform so badly compared to their peers? It is here that stock-picking and diversification skills of a fund manager come into play, separating the prudent and astute from the reckless and shoddy. What is particularly galling is that despite their poor performance, these funds didn't have any qualms about charging investors up to 2.5 per cent as expense ratio every year.

The worst wealth destroyer was JM HIFI, which made a loss of 16.9 per cent every year. The value of a lumpsum investment made three years ago is down to 57 per cent. The silver lining is that JM HIFI has an AUM of just Rs 12.21 crore, a tiny fraction of the total wealth invested in equity funds. But there are other, bigger lemons, which bled consistently even as the overall market flourished.

Take the JM Basic Fund, which has an AUM of Rs 554.52

crore and has lost 2.92 per cent annually in the past three years. The fund focusses on basic industries, such as infrastructure, energy and real estate, and over 80 per cent of its corpus is invested in small-cap and mid-cap stocks. This aggression worked wonders in 2006 and 2007, when it notched up returns of 43 per cent and 111 per cent, respectively, outperforming other funds. But the overexposure to real estate and reliance on mid-caps and small-caps proved catastrophic in 2008, when it lost 75 per cent. Despite phenomenal returns of 100.41 per cent in 2009 (the category average was 84.32 per cent, while the Nifty rose 75 per cent), the fund remains in the doghouse, with a single star rating from Value Research. The lesson: stay away from sectoral and thematic funds as they overexpose themselves to a single sector.

It's also prudent to keep new funds at bay. Six of the 36 worst laggards in the past three years were less than a year old in May 2007. Yet, investors thought nothing of pouring in Rs 3,000 crore in these untested funds. The average return from these schemes in the past three years has been -2.27 per cent.

Many of these NFOs were based on woolly ideas. Consider the SBI One India Fund. Launched in December 2006, this three-year, closed-ended fund was mandated to invest in companies based in four regions of the country. There was also a minimum and maximum limit of 15 per cent and 55 per cent, respectively, for equity exposure in each region. The logic behind this geographical straitjacket is best known to the marketing honchos of SBI Mutual Fund. Yet, investors couldn't care less and the NFO collected a massive Rs 1,900 crore. The fund has given an annualised return of 1.74 per cent since its launch. There's a silver lining here, too: the fund now has an AUM of Rs 994 crore, which means that almost half of the investors have realised their folly.

Not everyone is able to take the tough decision to book a loss. To get anchored to the price they pay is a trait typical to small investors. Many also feel that exiting at a loss is an admission of defeat. Instead of trying to recoup his losses from an underperformer, an investor ought to switch to a better fund. "Sometimes it is wiser to book losses and exit investments than to hold on to losers," says Shikha Hora, Director, Advisory and Insurance, at Religare Macquarie Private Wealth. It's an emotional hurdle that he must cross.

The big question: when should you sell a fund? The answer is simple: when it fails to deliver returns. Experts say that an investor should compare a fund's performance against its benchmark index. If it consistently underperforms the benchmark index for two or more quarters, it might be time to bid goodbye. Also compare your fund's returns with the category average. If the fund has underperformed on both counts head for the exit.

So, how could you have known which fund would do badly? The answer lies in the *Money Today*-Value Research ranking of best mutual funds. In our first ranking of best mutual funds in June 2007, we had placed HDFC Equity Fund at the top. Anybody who had invested three years ago would have earned annualised returns of 17.5 per cent. Clearly, you don't have to be Warren Buffett to know which fund to invest in. You just need to be a *Money Today* reader.

Courtesy: Money Today

5 Biggest Laggards

	SCHEME	AUM (Rs cr)	3 YEAR RETURNS *	EXPENSE RATIO (%)	VALUE OF
1	ISBI One India	994.98	2.60	2.50	10,800
2	JM Basic	554.52	-2.92	2.22	9,149
3	HSBC Progressive Themes	391.93	2.61	0.31	10,804
4	ICICI Pru Services Industries	341.76	1.90	2.31	10,581
5	Magnum Midcap	340.96	0.60	2.50	10,181
	Category average		9.31		12,997

5 Worst Performers

	SCHEME	AUM (Rs cr)	3 YEAR RETURNS *	EXPENSE RATIO (%)	VALUE OF
1	JM HIFI	12.21	-16.86	2.50	5,747
2	JM Telecom Sector	8.13	-11.88	2.50	6,842
3	LICMF Children's Fund	7.01	-11.65	2.19	6,896
4	L&T Global Advantage	6.07	-8.52	2.14	7,655
5	JM Emerging Leaders	236.08	-7.94	2.38	7,802
	Category average		9.13		12,997

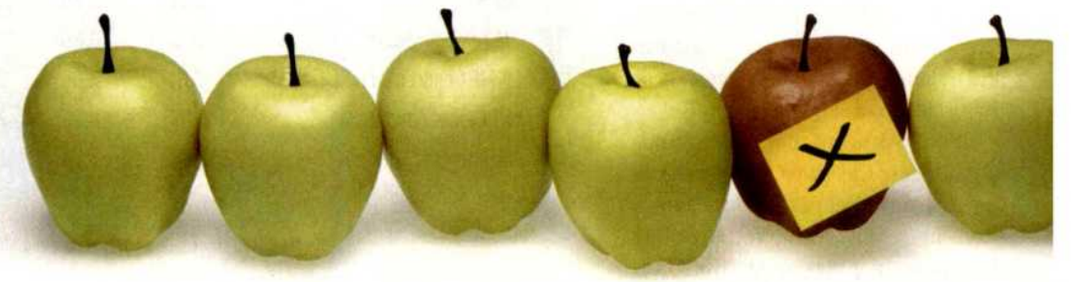
*Invested three years ago; returns and AUM as on April 30, 2010

Investors often stay put in underperformers just to get their capital back. This is driven more by sentiment than logic. If a fund performs badly, it's best to exit.

Swapnil Pawar Head of HNI Solutions, Karvy Private Wealth

KAMYA JAISWAL considers if she should sell the three poor performers in her portfolio. Find out why she holds back two...

OVERLOOKING A BAD SHOW



25th April

Procrastination is an art and I'm learning to master it. The opportunity to do so presented itself when I had to analyse the three damp squibs in my portfolio—Britannia, HCL Tech and Tata Steel. But no matter how many different aches, work commitments and household chores I conjured up to avoid peeking into my portfolio, I realised that eventually I would have to do it. So, armed with a bagful of buttery popcorn, I spent the evening scouring for reports on the three companies. Luckily, my brokerage house had mailed some on HCL Tech and Tata Steel. However, Britannia seems to be anathema to stock analysts; the latest write-up on the company was dated 2008. What was I thinking when I chose to invest in it? More importantly, what was the source of information? Here's another addition to my stock selection parameters—invest only in companies that are profusely written about. Too much information (even if it means sifting through a lot of junk) is better than no information.

LESSON OF THE MONTH:
Do not follow the recommendations of research reports blindly. Take a decision after aligning the information with the goal of your investment.

29th April

I have changed my mind. If I choose only 'hot' stocks, I will never be able to stumble upon a great opportunity, a la Michael Moe. In 1992, the stock analyst predicted that a Seattle-based coffee shop would change the way the world hangs out. Yes, I have been reading up on some cult investing books like *Finding the Next Starbucks* (by Moe), and they are not half as dreary as the real investing world. Inspired by such stories, I have figured out how to overcome the problem on Britannia—I will cull out the factors common to different industries that analysts have considered in the reports on Tata Steel and HCL Tech.

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^Benchmark. "Since inception" returns are calculated on Rs. 10/- invested at inception, viz. date of allotment (June 14, 2007). All returns are for Growth Option. Returns for the last 1 year are higher largely due to market recovery. **Past performance may or may not be sustained in future and should not be used as a basis for comparison with other investments.**

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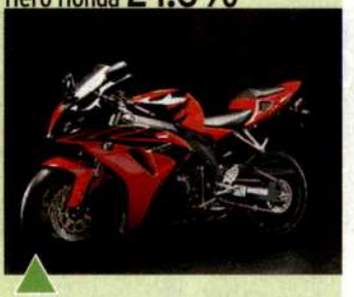
Then I plan to dig out the same information on Britannia. Imitation never seemed smarter.

1st May

Always a sitting duck for pranks, I fell for not one, but three outrageous tricks today. I salvaged some pride in my intellect by devoting a couple of hours to the analysis of reports on HCL Tech and Tata Steel. Frankly, the prospect of replicating their evaluation process for Britannia seems more exciting than finding out whether I should exit them. To ensure that I do not lose sight of my primary goal, I forced myself to focus on these two companies. HCL Technologies got a resounding thumbs up by the brokerage report. Analysts believe that in another 12 months the stock price will scale up to Rs 416. They seem most excited by the company's revenue growth, which is Overlooking a Bad Show driven by an increase in volumes. Also, HCL Tech has announced 13 new deals, demonstrating that it continues to attract more work. Its core businesses, such as engineering and R&D services, are back to making profit, which only strengthens the argument for sticking with the company. I had bought the stock in January at Rs 375.25. If the experts have it right, I will pocket a cool 10.9 per cent gain in one year.

HPCL -23.4%

Hero Honda 24.8%



Till May 12, the worst-performing stock in my portfolio was HPCL (-23.4 per cent), which was suffering due to rising under-recoveries. Hero Honda scored the highest (24.8 per cent) driven by zooming bike sales.

The verdict on Tata Steel is not so clear. Analysts have panned the stock as they expect its price to drop by 23 per cent in a year. This, despite the fact that Corus (the Anglo-Dutch steel company acquired by Tata Steel in 2007) generated profit in the last quarter and looks set to earn higher revenues due to the rise in steel prices. The good news has been offset by the company's huge debt.

What caught my eye was the interpretation of EBITDA in the two reports. Belonging to the family of profit measurements like profit after tax (PAT), EBITDA calculates a company's earnings before deducting interest, taxes, depreciation and amortisation. Even though I do not understand the nuances of this valuation tool, it is obvious that if the EBITDA of a company is improving, it is earning more. Hence, one should hold on to the stock. Recommending selling Tata Steel even though its EBITDA has gone up over the previous quarter belies this logic. On the other hand, analysts have not let a negative EBITDA influence their positive outlook on HCL Tech. Why ignore profitability?

6th May

Midnight dilemmas regarding stocks are best tackled during the day. I read about EBITDA on various websites, but it was Professor Calculus who helped me understand the utility of this tool. If I compare, say, the PAT of two companies, the difference in their taxability, their debt to equity ratio or the way they calculate depreciation will affect the result.

So experts use EBITDA to look at just the operating profit of a company. It is best used to compare companies within the same industry. Ironically, what gives EBITDA an edge is also its Achilles heel. One must necessarily place EBITDA in context, considering the company's financial condition, growth prospects, etc, touse it accurately. This is why the debt component of Corus' balance sheet outweighed the company's growing operating profits. Similarly, the prospect of growth in revenues was more important than the dip in the EBITDA of HCL Tech.

The argument against holding Tata Steel is compelling. Yet, I don't want to sell the stock. My logic: Tata Steel is a well-managed company and the road to recovery is long. I am convinced that it will get there. Moreover, am I not a long-term investor? So I can wait for the company to get its act together. In the meanwhile, if the stock price dips further, it is a great opportunity to buy more. The decision on Britannia will have to wait till next week. The buzz in office is that our increments are due and the prospect of having more money has overshadowed all other thoughts. Keeping my fingers crossed

Courtesy: Money Today

The Checklist Manifesto/ How to Get Things Right
AUTHOR: ATUL GAWANDE
PUBLISHER: Penguin/ Viking
PAGES: 209
PRICE: Rs 399

Put This on Your Checklist

A must-read for everybody—from surgeons to housekeeping staff—involved in patient care, feels DR NARESH TREHAN.

This book should be mandatory reading for all those involved in the care of patients. Surgeons, by their very training, are taught to be obsessive, but the complexities of modern medicine mean that it is not the "captain" of the ship alone who is responsible. Large teams of doctors, technicians, radiologists, as well as services such as housekeeping and purchase, have to be equally involved to produce the best outcome for patients. Gawande's unputdownable book is littered with real-life stories from hospitals, airlines, the building industry and even chefs.

Making checklists and breaking down procedures into steps have increased efficiency and lowered accidents. Gawande quotes several examples such as the work of Dr Peter Provonost, a critical care specialist, in reducing ICU infections and how Steven Luby handled seemingly difficult tasks such as reducing incidents of diarrhoea and respiratory infections in a third-world slum. As Gawande says: "We, as surgeons, want to believe that our teamwork is exemplary, but studies show this to be far from the truth. In one survey of more than 300 people coming out of the OT, one out of eight was not even sure where the incision would be until the operation started!"

The number of surgeries has grown tremendously even as the procedures themselves have become more complex. Things that were not possible 25 years ago are routine today and people often joke about surgeons for "the right ear and for the left ear!"

So, it is not surprising that iatrogenic (illness caused by medical treatment) death now accounts for 98,000 patients annually. In a country as developed as the United States, this equals to two jumbo jets colliding over the skies every day! Then, different countries have different levels of resources, both human and technological. To help tackle this problem, the World Health Organisation has developed a simple surgical checklist, which, if implemented, would succeed in reducing such errors by over 30 per cent. This work was done in six different countries with different cultural and financial backgrounds, as far apart as Boston and Tanzania.

More and more hospitals and organisations have recognised the value of procedures and protocols not only in tackling problems, but in preventing them from happening. In a medical world where just trauma means different injury-related diagnosis and 3,261 unique combinations, the protocol needs to be simple, easy to understand for everybody in patient care, and across regions.

We have spent billions of dollars on the development of modern medicine technology but, as Gawande points out, there is no institution devoted to health safety. Medicine and research have become so specialised and so demanding that in spite of efforts, there are bound to be accidents. The challenge is to bring those rates down to the bare minimum. Death and morbidity are going to be a part of surgical treatment given that patients with more complicated problems require treatment, sometimes at the extremes of what is clinically possible.

I would commend Gawande for bringing out this book, highlighting in a very readable manner the aim of procedures and protocols. He has given examples from different industries as to how they have improved their outcomes and how it is possible to translate these numbers into good surgical practice. ⊙

The reviewer, a renowned heart surgeon, is Chairman and MD of Medanta-The Medicity

More and more hospitals have recognised the value of procedures not just in tackling problems but in preventing them.

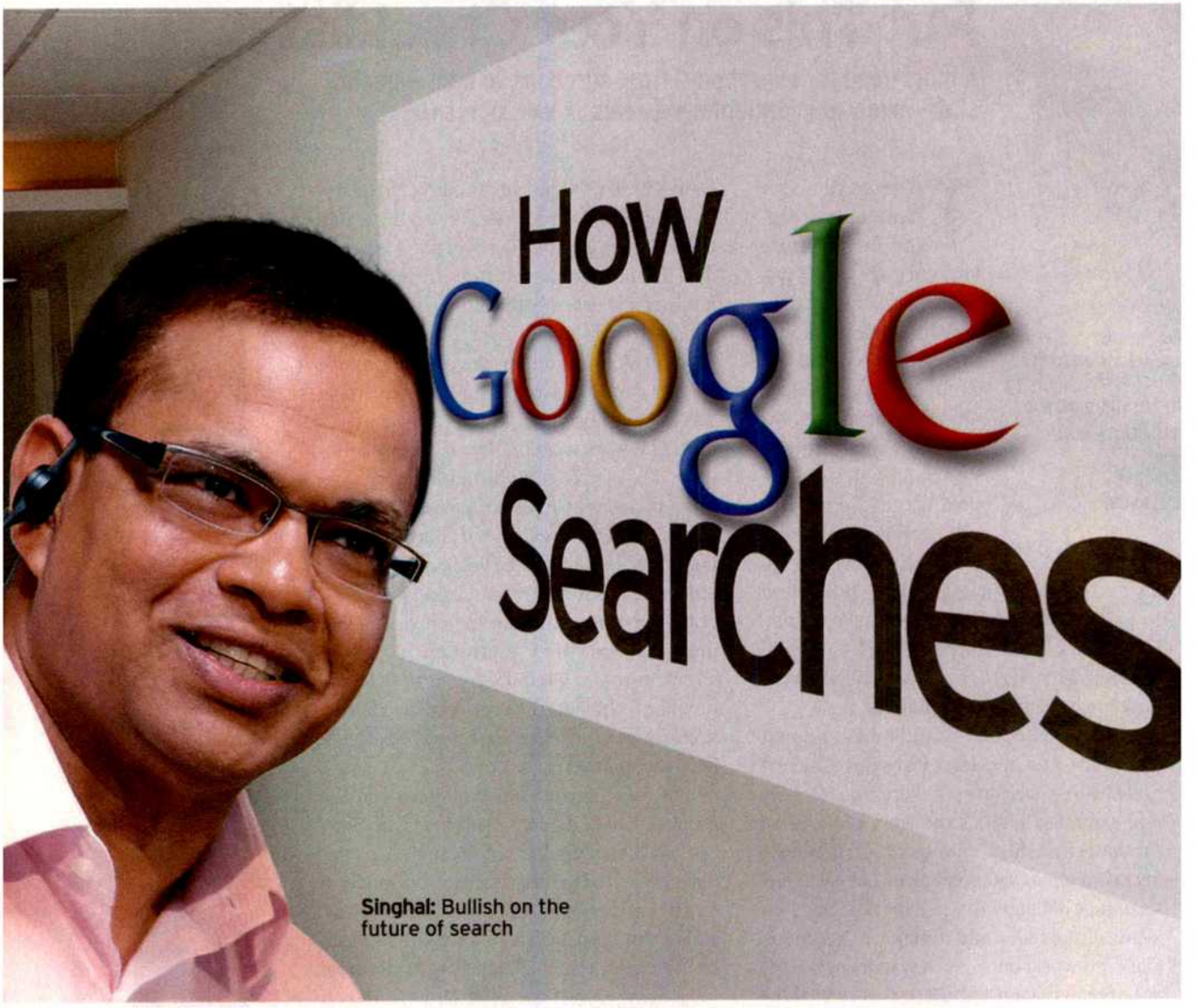
BOOKMARKS

How to Build a Great Business in Tough Times/ The King of Shaves Story
By Will King
Hachette/ Headline Publishing Group
Pages: 310
Price: Rs 299

A refreshing tale, beginning right from King's childhood. In 1992, laid off in the recession, he created a great product and a brand. His only experience till then: Tele-selling.

Samsung Electronics and the Struggle for Leadership of the Electronics Industry
By Tony Michell
John Wiley & Sons
Pages: 256
Price: Rs 972

Not a pop book this, written as it is by a professor of strategy and management. A study of Samsung's rise from a small sub-contractor to becoming a multinational.



Singhal: Bullish on the future of search

Internet search has come a long way. And, it is just the beginning of a long journey for all; even Google. KUSHAN MITRA

In the beginning the Internet was but a confusing mass of documents. Finding information, by searching the World Wide Web, was nearly impossible until the first search engines came along.

Early search engines were like rudimentary life-forms (Remember Yahoo! Search and Alta Vista?). They got the job done, but as more people gained access to the web, their limitations and dependence on the information that content creators put on so-called meta tags (strings of text that identified the content of the page in the source code) meant that such engines were liable to be abused.

Into this fast-expanding, yet messy space came Google. To cut a long story short, what Google did was organise information a lot better. Instead of depending on the text of a web page to determine the search results, it determined the page's influence using a variety of factors—including how many times a page had been viewed or

"In the age of Twitter, Internet happens in 'real time' and we have to reflect that"
Amit Singhal, Google Fellow

linked to. From those early days, Google made searching the Internet reliable and over the past decade has grown into the behemoth it is today.

But there is more to the Internet than Google and more to search as well. Microsoft's CEO Steve Ballmer told BT five years ago that Google was just a flash in the pan, as Microsoft readied its (then) latest search engine. Microsoft did not get too far then, but laid the foundation for an effort that churned out Bing, its search engine launched last year. The engine uses a process similar to Google's 'PageRank' algorithm and gets a boost from technology tailored to throw up relevant results. The result: it has garnered one-fourth market share in the United States.

Google is not standing still. "In the early days, much of the Internet was static, your 'web crawlers' would go out every few days, sometimes even weeks to find information. Today, in the age of Twitter, the Internet happens in 'real time' and we have to reflect that," said Amit Singhal, a Google Fellow, present at the company's recent Science of Search conference in Tokyo.

The way it delivers this is complex: New search technologies look for statistical patterns while determining the importance of one particular tweet message over thousands of others as well as the number of followers the person who wrote that tweet has. Juxtapose the volume of tweets—2.7 million every hour—and the brute force of the new technology and servers that power it become apparent. That and Google's focus on search helps it stay top dog despite challenges in China (Baidu is No. 1) and Japan (Yahoo! is ahead in popularity).

Google founders Larry Page and Sergey Brin have spoken of their fears of being ousted by a newcomer. That challenge could come in the form of the likes of Wolfram Alpha, which queries a structured database for answers. So, ask it about the 16th President of the United States and it throws up not a link but a page of facts on Abraham Lincoln. The scope of the engine's results is limited given it is still a project in progress. Example: A search for "World Cup" assumes it is a gene and gives you a reference genetic sequence. Still, structured searches are being closely watched.

Elsewhere, to catch up with Google, Microsoft and Yahoo! are touting new contextual search services that give you search results based on the page you are on. For instance, if you are reading about Barack Obama's actions in the Gulf of Mexico BP oil spill, highlighting "Obama" will not do a generic search for Obama but for the US President and the oil spill. This is still a beta (test) service rolled out to a few users.

VIVAN MEHRA/www.indiatodayimages.com

Google is the leader in search but Yahoo's Carol Bartz is looking to catch up

Google, meanwhile, is also taking search to mobile devices—a trend that its executives underscored at the Tokyo conference. Google's voice search is today enabled on most smartphones. Goggles allows users to take a picture from a mobile phone and gives you a result on the image. Google plans to make both mobile voice and image search faster and is throwing a lot of its engineering resources behind that.

And its needs to. Google's biggest rival here is not Microsoft but Apple whose iPhone is the dominant smartphone platform in terms of mindspace. Apple recently bought Siri, which makes a "mobile personal assistant" application that works through voice commands. Silicon Valley is betting that the "human-computer interface" will increasingly move away from text to voice and images.

The world's top search engine also has on hand projects that revel in the technology they use even if the revenue upsides are not evident. In Tokyo, Alan Eustace, Google's Head of Engineering, talked about a "Universal Communicator", an idea rip-off from the *Star Trek* series. Here, an application on a smartphone, with the help of machine translation, will be able to translate any language spoken into it and into any other selected.

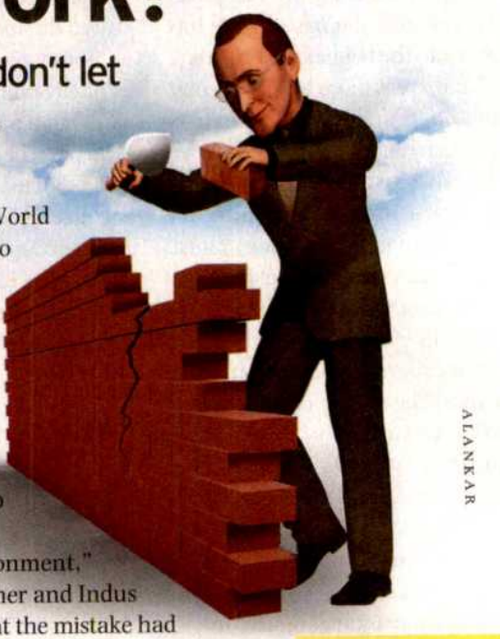
Singhal was even more bullish. He spoke of a future where all Google services seamlessly integrate into one another, where route-planning using Google maps will take information from the web and warn you in advance of traffic jams or deals at a mall five minutes ahead of you and the like.

Online search clearly has some way to go. ⊙

Travel for this story was sponsored by Google

Big Slip-up at Work?

Acknowledge your mistake, learn and don't let it hurt your confidence. SAUMYA BHATTACHARYA



ALANKAR

Last fortnight, at the much-awaited launch of Indus World School in Aurangabad, Maharashtra, things did not go exactly as planned. The team responsible for organising the event goofed up on two counts. One, it was behind schedule, and two, it faltered and overlooked a crucial section of the event. The gaffes were glaring and were causing irritation to the company leadership present at the event. At the post-launch meeting of the company leadership, the team leader made a presentation on the event. He not only listed the mistakes that the team made, but also specified his own bloopers to the company leadership. Did he do the right thing?

"Mistakes are round the corner in an innovative environment," says Satya Narayanan R., Founder-Chairman, Career Launcher and Indus World School, who was present at the event. Given the fact that the mistake had happened, this is the best the team leader, who otherwise is competent, could have done to salvage the situation, he says.

People managers like Satya, as the training entrepreneur prefers being called, say that chances of making a mistake at work are very high. It's best to own it up and focus on the learnings out of that mistake. "This applies to both—a specific small mistake or a strategic mistake," he says. This kind of owning up also indicates that the culture of that organisation is open, and rewards humility and transparency.

When you acknowledge a mistake, you are also sending out a signal: Not only are you aware of what you did, but are also equipped to deal with it. "The team leader who goofed up is good leader material for the future simply because acknowledging one's mistakes needs a lot of adequacy," says Satya.

Harvard Business Review's Amy Gallo in her write-up *You've Made a Mistake. Now What?* has a word of advice from Christopher Gergen, Director (Entrepreneurial Leadership Initiative), Duke University, and co-author of *Life Entrepreneurs: Ordinary People Creating Extraordinary Lives*. Says Gergen: "The most useful thing you can do is translate a mistake into a valuable moment of leadership."

"MISTAKES ARE ROUND THE CORNER IN AN INNOVATIVE ENVIRONMENT. (BUT) A REPEAT OF ANY MISTAKE IS CLOSE TO UNPARDONABLE"

Satya Narayanan R., Founder-Chairman, Career Launcher and Indus World School

Once you have acknowledged your mistake, explain to your boss and other interested parties how you will avoid making the same or a similar misstep in the future. You have to respond quickly before people make judgements about your competence or expertise, says Gallo. Also, make a concerted effort to avoid repeating the mistake. "A repeat of any mistake is close to unpardonable," says Satya.

And, while acknowledging your mistake, do not beat yourself up over it. If your morale has been dented, speak to a peer you trust or get a word of advice from a senior you look up to. This will give you a perspective on your mistake and whether you could have dealt with it differently. ⊙

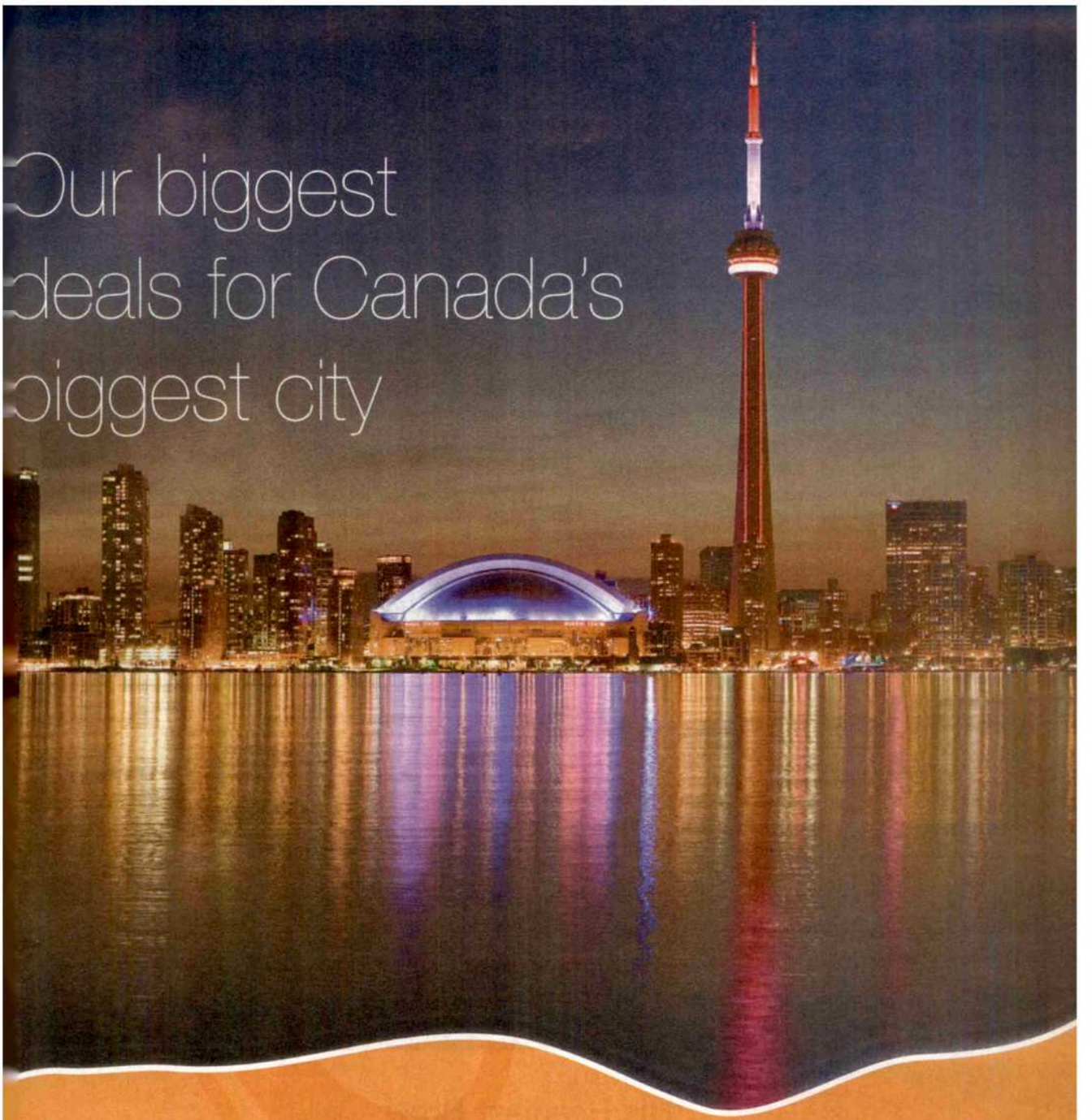
Log on to www.businesstoday.in for *Converting a Bad Appraisal...*

DEALING WITH MISTAKES

- Accept responsibility. Tell your boss about your mistake immediately.
- If the mistake affects your team or project, come up with a plan to salvage the situation.
- Apologise, but do not berate yourself.
- Work towards ensuring you can be trusted again.
- Don't blame others when you are accountable.
- Don't take flak where others have been at fault.
- Don't stop taking the initiative just because you goofed up once.

SUGGESTED READING

BLIND SPOTS: WHY SMART PEOPLE DO DUMB THINGS
By Madeleine L. Van Hecke



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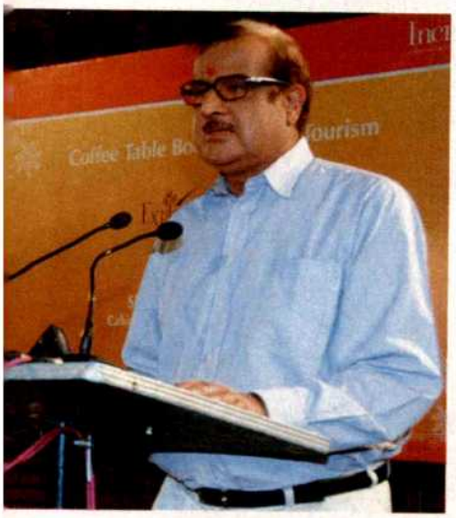
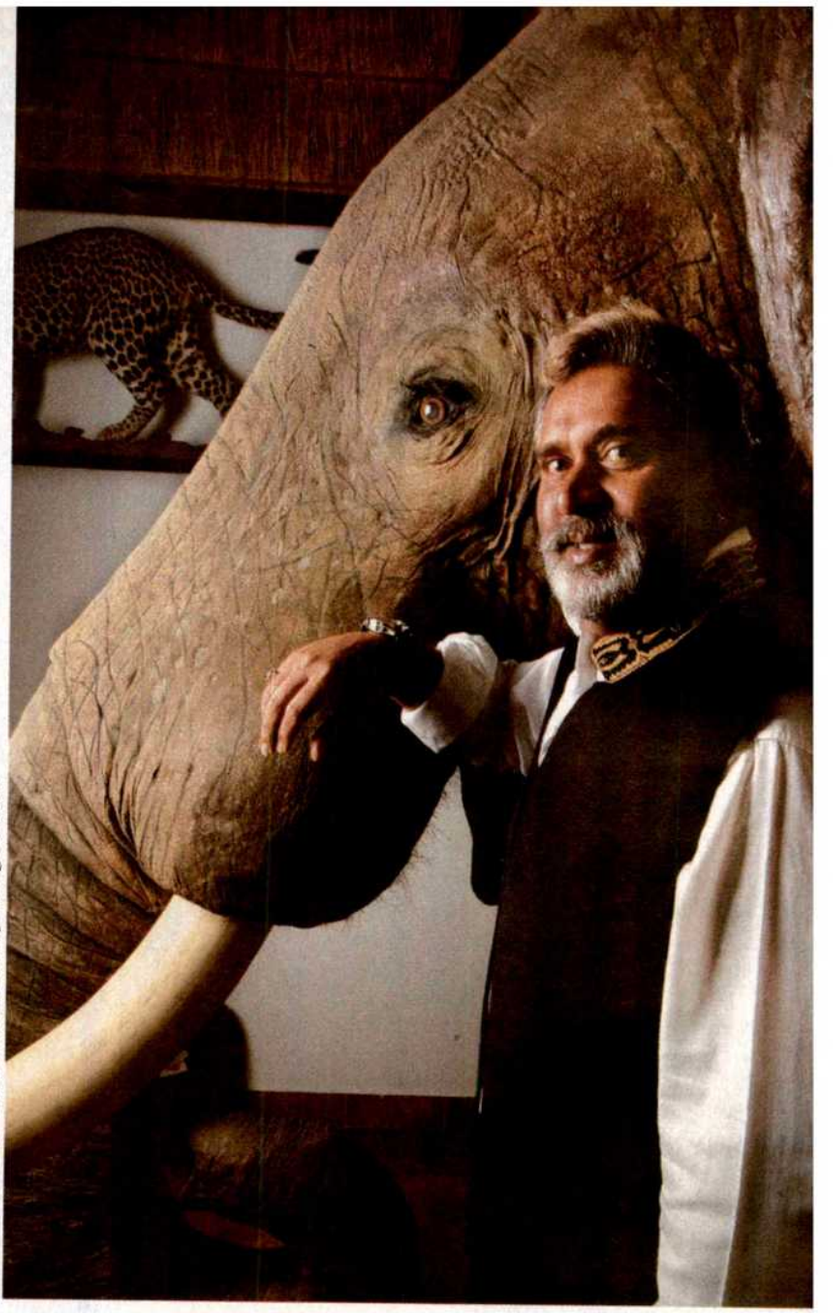
K.M. CHANDRASEKHAR

Prime Minister's Chosen Man

K.M. CHANDRASEKHAR, a 1970 batch IAS officer of the Kerala cadre, is the first bureaucrat who will be Cabinet Secretary for four years instead of the stipulated two years. The government has amended the rules to give a second one-year extension to the 62-year-old, who has been holding office since 2007. So, no bureaucrat from the batches of 1971, 1972 and 1973 can aspire to the top post in babudom. Chandrasekhar's first one-year extension was given in June 2009, a month after he made his master move: Even before the 2009 Lok Sabha election results were out, he told all secretaries at the Centre to prepare a 100-day agenda for their ministries or departments. So, when the UPA came back to office, it had action plans ready!

PUJA MEHRA





BANDEEP SINGH/www.indiatodayimages.com

VIJAY MALLYA

His Headiest Brew

A few eyebrows went up when flamboyant billionaire **VIJAY MALLYA** said recently that he was familiar with the rural areas of Karnataka. The fact is that the 54-year-old liquor-to-aviation baron has not only toured across his home state, but has even addressed public meetings in chaste Kannada during the 2004 Assembly polls. An elected Rajya Sabha member then, Mallya had taken a deep plunge into electoral politics as the Working President of the Janata Party. However, all 155 candidates fielded by him lost, and Mallya shied away from a similar adventure in 2008. Now, he has come out tops from his latest electoral battle: He has won a Rajya Sabha seat from the Karnataka Assembly. Mallya is neck deep in liquor, aviation, Formula One and IPL affairs, yet the brew of politics seems to be the headiest of them all for him. As he tweeted the Kingfisher jingle after the victory, "Ooo la la la le o!"

K.R. BALASUBRAMANYAM

MAGNI M24 ORION GYROCOPTER

Stuck in a Jam? Try a Gyrocopter

Sector 6, a Delhi-based company, is about to start importing gyrocopters from Italian manufacturer Magni. A gyrocopter is a hybrid between an aeroplane and a helicopter, flies lower and is easier to land. The M24 Orion has a range of around 500 km and, with a top speed of around 150 km per hour, is as fast as a luxury car. That, too, in the traffic of our metros. To acquire one, you need to go through a bureaucratic process, but these small-flying machines might make flying a lot more accessible.

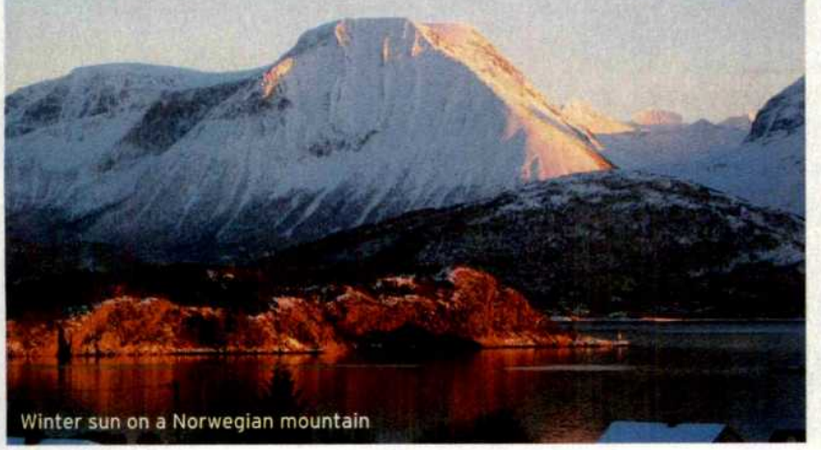
PRICE: Rs 45 lakh approx. (permissions cost extra).

KUSHAN MITRA

NORWAY

Land of the Midnight Sun

If you are looking for a holiday where travel is interspersed with history and dramatic landscape, Norway is the place for you. And the best time to visit is July and August when the weather is the warmest. Norway is characterised by fjords or deep water trenches between cliffs rising out of the sea. Summer is also the season for music and theatre festivals. While in Norway, don't miss the stave churches built of wood, including the country's oldest wooden church, Urnes Stave Church. ⊙



Winter sun on a Norwegian mountain

R.S. SODHI

Amul Gets New Helmsman

India's only billion-dollar cooperative, Amul, has a new boss. Last fortnight, Amul Chairman P. Bhatol accepted the resignation of Managing Director B.M. Vyas and appointed **R.S. SODHI**, 53, as 'Incharge Managing Director'. (A full-time MD can be named only after the Board accepts the resignation of Vyas.) Sodhi is an Amul lifer. After graduating from the first batch of the IRMA or Institute of Rural Management, Anand, in 1982, he joined Amul and rose to the position of Chief General Manager. Amul will need all his marketing prowess to hold off challengers like Danone and Britannia, who are eager to get a slice of Amul's business.

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MALLIKA SRINIVASAN

Vice Chairman | TAFE

My leadership style

Participative.

The leadership lesson I remember the best

Leaders need to make informed choices in the face of uncertainty without waiting for an ideal situation.

The political leader I admire the most

Mahatma Gandhi.

The business leader I admire the most

J.R.D. Tata.

A book/movie I would recommend on leadership

Winners Never Cheat by Jon Huntsman.

What I think is the difference between a manager and a leader

A leader creates a vision and inspires people to excel. A manager optimises resources to deliver outstanding results.

All good managers are good leaders

No.

As told to N. Madhavan

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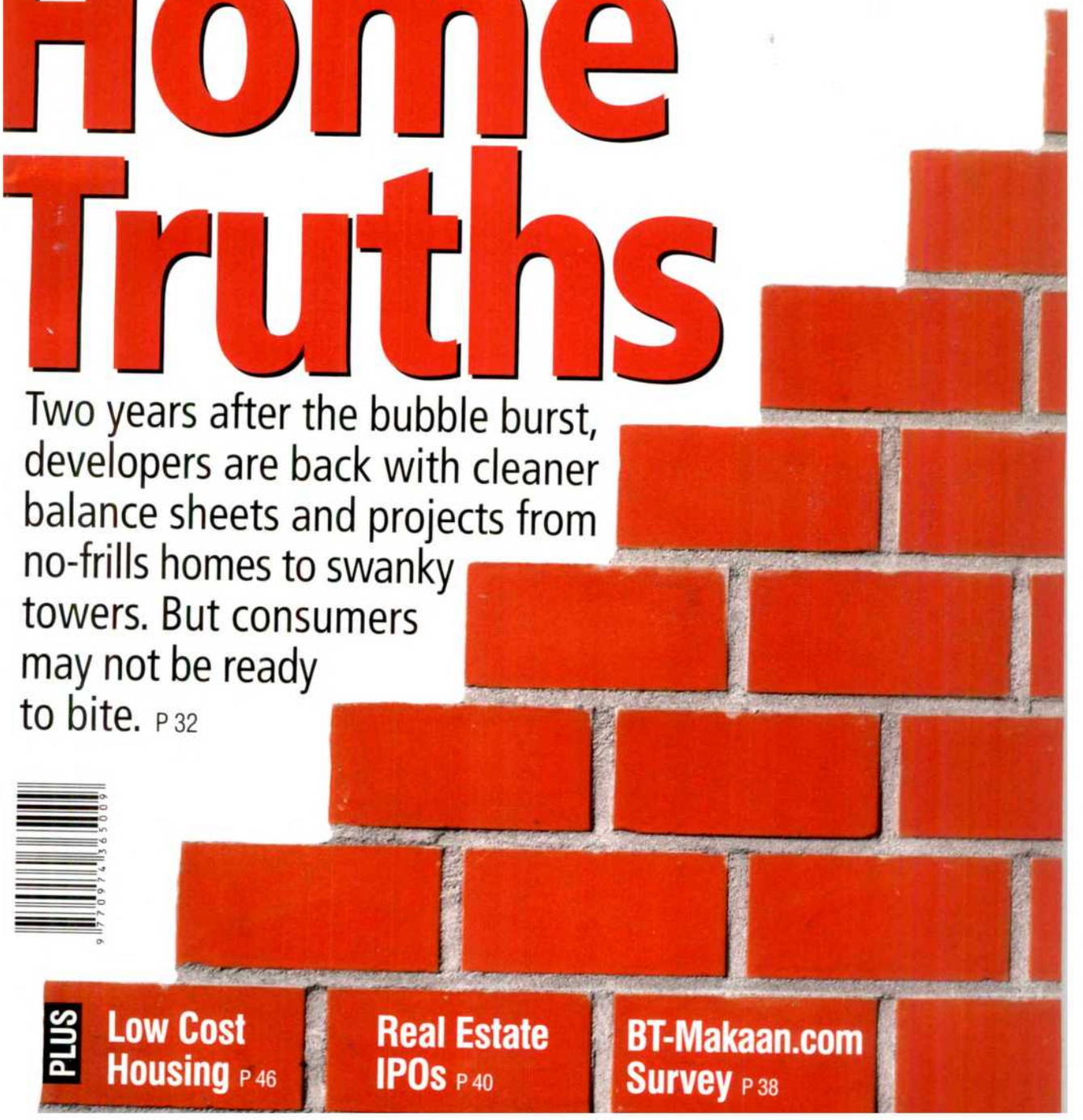
www.businesstoday.in July 25, 2010 Rs 25

Home Truths

Two years after the bubble burst, developers are back with cleaner balance sheets and projects from no-frills homes to swanky towers. But consumers may not be ready to bite. P 32



PLUS

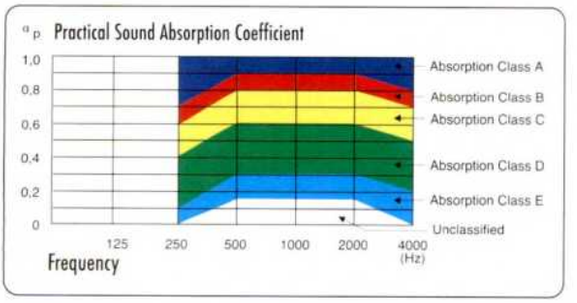
Low Cost Housing P 46

Real Estate IPOs P 40

BT-Makaan.com Survey P 38

CUT NOISE

AND INCREASE EMPLOYEE PRODUCTIVITY



Noise in a modern day office is inevitable - whether it is phones ringing, loud conversation, people talking on the phone or loud footsteps. It is proven that noise has a negative impact on employee health and productivity. Designing your walls and ceilings with Class A sound absorbing materials helps reduce noise levels and improves productivity significantly.

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From the Editor

And now at the end he found himself in his own house, on his own half-lot of land, his own portion of the earth. That he should have been responsible for this seemed to him...stupendous."

V.S. Naipaul, A House for Mr Biswas

What emotion assailed you when you walked into the first home you owned? Most people would list one or more of joy, pride, fulfilment, security — and relief. Relief because owning your own home in India is not a fundamental right; it is a privilege. This is sad. Urban India contributes two-thirds of our GDP, but we are one of the least urbanised countries in the world. Fewer than one-third of our people live in towns and cities. The Eleventh Five-Year Plan estimated India's housing shortage at about 25 million units. Nearly all of this is among economically weaker and low-income groups. As Ashish Karamchandani of Monitor Group, which worked with *Business Today* on our study on low cost housing writes in a perceptive column, India Inc. woke up only recently to the huge profits in this area. Until three years ago, the builders, the buildings, and the costs grew bigger, fatter, and higher. The bubble was deflated for about 18 months, but not pricked. Things are humming again, except this time "affordable" housing is the buzzword. Our cover package this fortnight gives you this and much more.

If you want to know what *real* estate means, consider the land the Godrejs' control in Greater Mumbai. Our grandmothers said "Godrej" when they meant a boxy steel cupboard, but the Godrejs have come a long way from soap, padlocks, and typewriters. A new generation is rising from the marshes of Vikhroli, and we tell you how.

Elsewhere, you will marvel at putative mobile-tower maharaja Manoj Tirodkar's savvy. You will see how Tamil women and children are giving Swedish super-manager Percy Barnevik a new reputation.

Reputational holes are dark and deep, and the climb out is very hard work: witness BP, Toyota and our own Satyam/Maytas and Ranbaxy. Ranbaxy can see the light with help from its Japanese masters. The jury is still out on Ramalinga Raju's Augean stables.

But let's face it — there's an entrepreneur waiting to get out of every Indian. So when suddenly penurious Europe wants to outsource, who else but Indian BPOs to the rescue? And if you want to mix IT training with holiday itineraries, think Koenig.

That wasn't meant to be funny. Ask the folks at SAB TV, who want to prove that Indians do have a sense of humour — and laugh all the way to the bank.

Chaitanya Kalbag

CHAITANYA KALBAG

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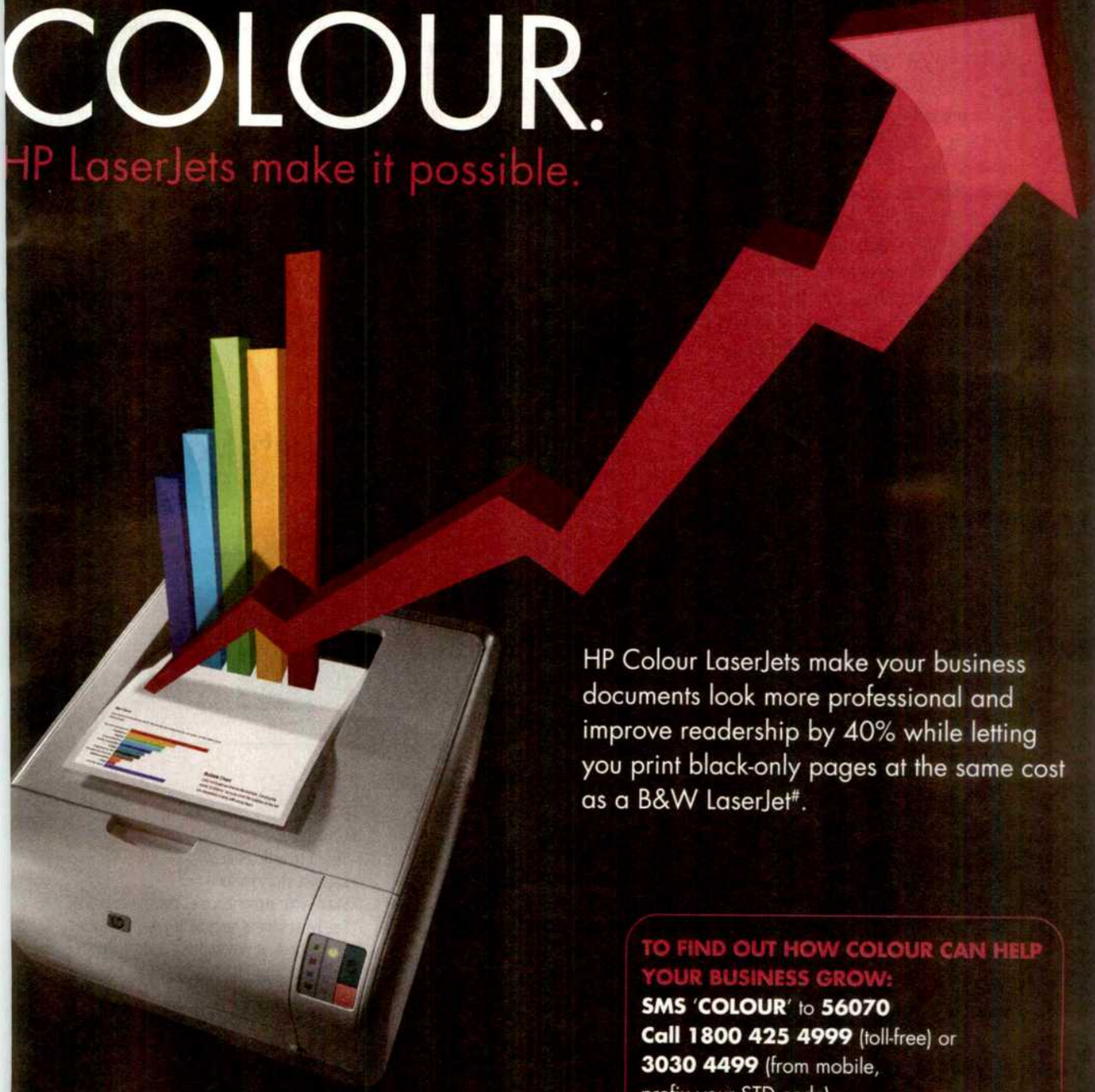

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New Stars in the Sky

When low cost carriers appeared on the Indian aviation scene in the late 1990s, they heralded the start of a trend (*Aviation: Low Cost Rules*, BT cover, July 11) towards cheaper air travel. Today, LCCs have become dominant players on many routes and they are making the aviation industry more competitive and consumer-friendly. **Vineet Achyut**, *Delhi*

With Flying Colours

Budget carriers like SpiceJet, IndiGo and GoAir are doing exceedingly well in terms of market share and load factors. Their market share for FY 2009-10 stood at around 34 per cent, compared to full service carriers 57 per cent. If our policymakers can make it easier for budget carriers to operate on parameters like fuel prices and airport charges, India has the potential to become one of the lowest-cost aviation markets in the world. **Neeraj Thakur**, *Pune*

Better Services

Low cost airlines are gaining in popularity but poor on-board and customer services remain passengers' most pressing concerns. I recall reading about a passenger who, on reaching the airport, came across a lady ground staff from a budget airline making announcements on the public address system, then move on to check passengers' boarding passes and finally, going to the aircraft on tarmac to collect the stubs. Unable to contain himself, this passenger enquired — much to the lady's embarrassment — whether she would also be part of the crew! **Shashi Shekhar**, *Bangalore*

Picky About Jobs

India's Top Recruiters (BT cover, Ju
offered a timely and revealing acc
the changing mindset of job as
today. As increasing numbers of j
ers place more emphasis on job
brand value of the company an
growth opportunities, these attrib
viewed as being more important
pay packets and perks. **J.S. Brc**

Traction for the Truck Inc

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June 13) offers fresh insight i
state of the truck industry in
am sure the entry of internatior
ers like Daimler India Com
Vehicles will go a long way in
the demands of this sector, whi
needs infusion of fresh technol
new players. **B. Rajasekaran,**

No Saviour of the Environment

Ayodhya Rami Reddy's dream (*Waste King Wants More*, BT, July 11) of becoming a billion-dollar player in waste management fails to inspire. Instead of following outmoded waste management methods like incineration, which only exacerbate pollution levels, Reddy's company, Ramky, should achieve some tangilbe environmental goals and invest in cleaner technology and recycling projects. **Vamsi Mohan**, *Hyderabad*

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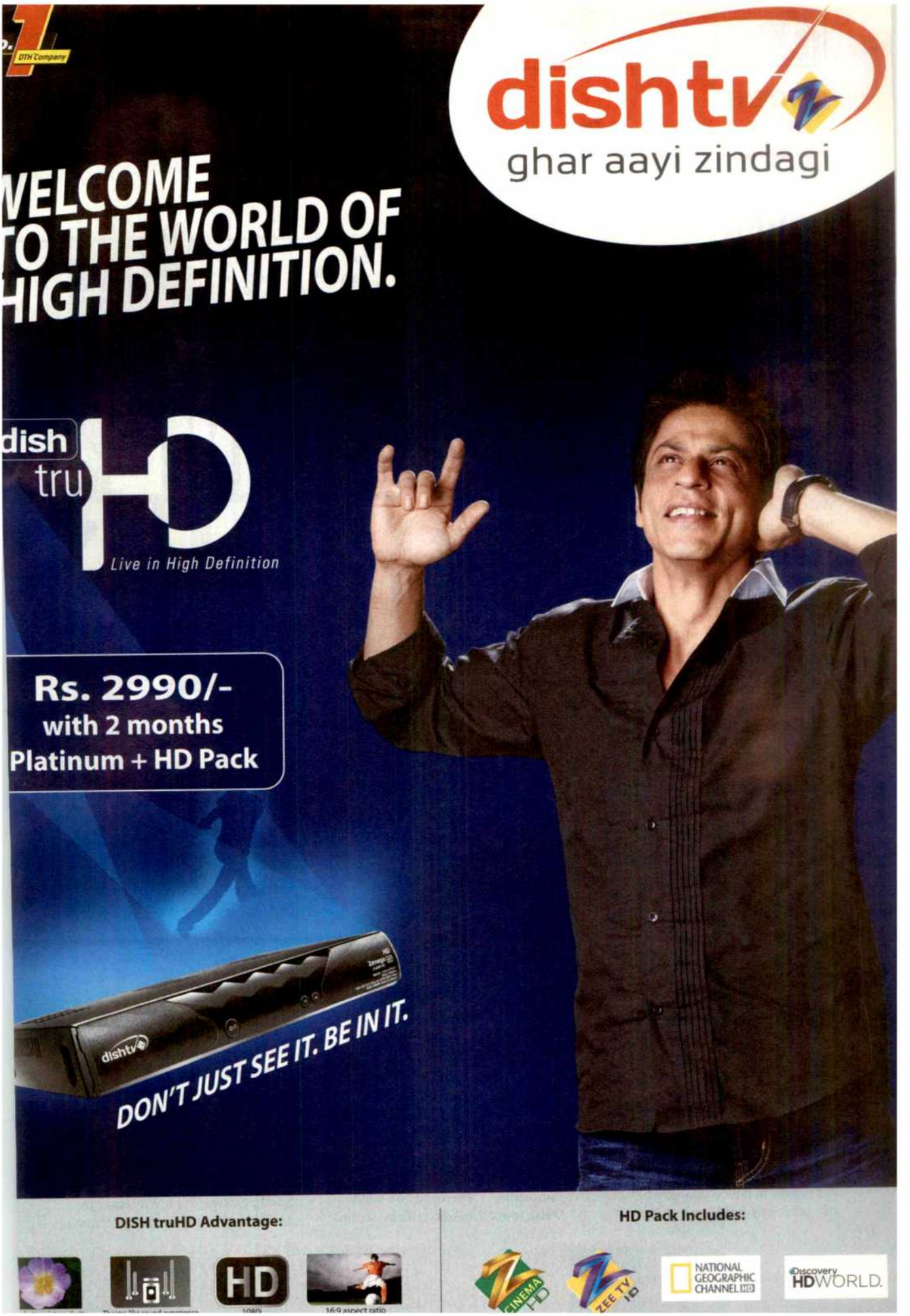
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business today

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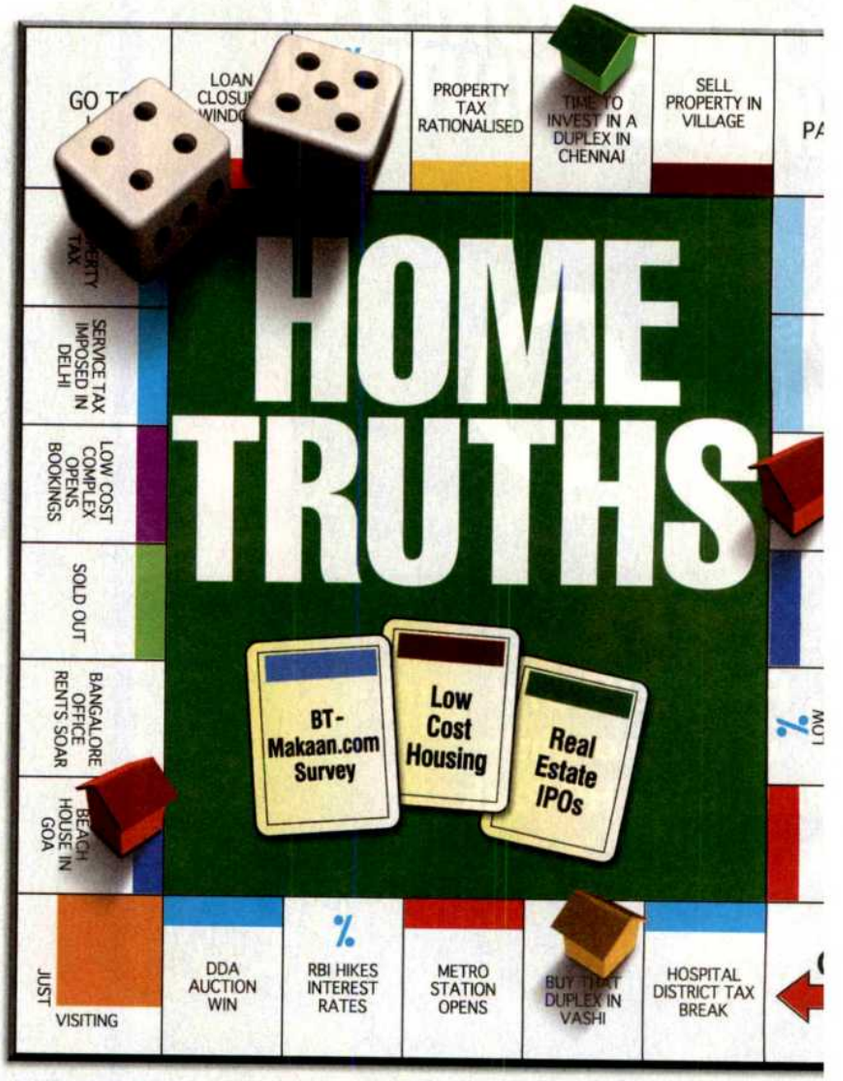

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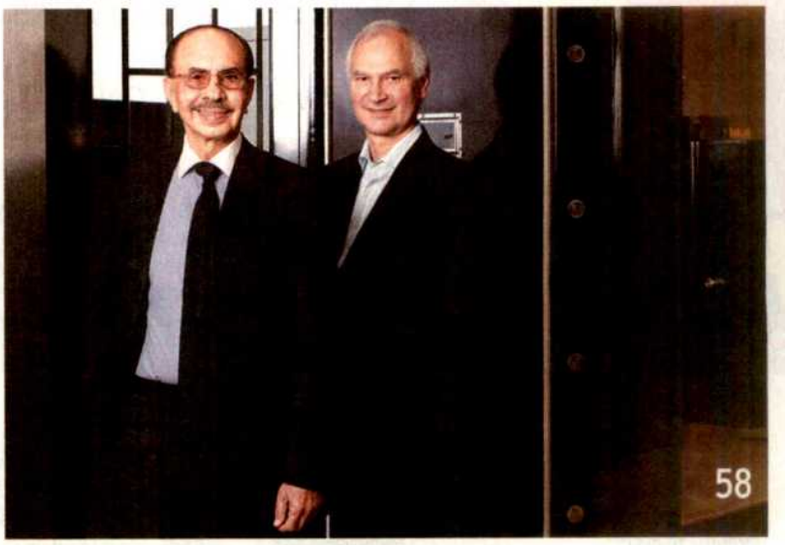

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Our cover package tells the story of how low cost airlines came to dominate the skies today and how these carriers have forced market leaders Jet and Kingfisher to follow in their wake as demand grows. Then, why have regional, short-haul airlines failed in India. Lastly, the viability risk at dozens of India's upcoming airports, and a fast-evolving aviation eco-system.

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L.N. MITTAL'S MULTIBILLION DOLLAR INDIA GAMBIT

He's made tentative investments in the energy and steel sectors, via joint ventures and acquisitions, but the big bang will clearly come when the chairman of the world's largest steel company freezes his plans to set up a mega-steel unit in the country.

CASE STUDIES

Read cases of corporate successes and failures analysed in detail and lessons drawn. Plus, commentaries from experts. Cases available online include **Nirula's**, **TI Cycles**, **ITC's e-Choupal** Version 3.0, **Ashok Leyland**, **MRTS Chennai** and **Ponni Sugars (Erode) Ltd**.

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Focus

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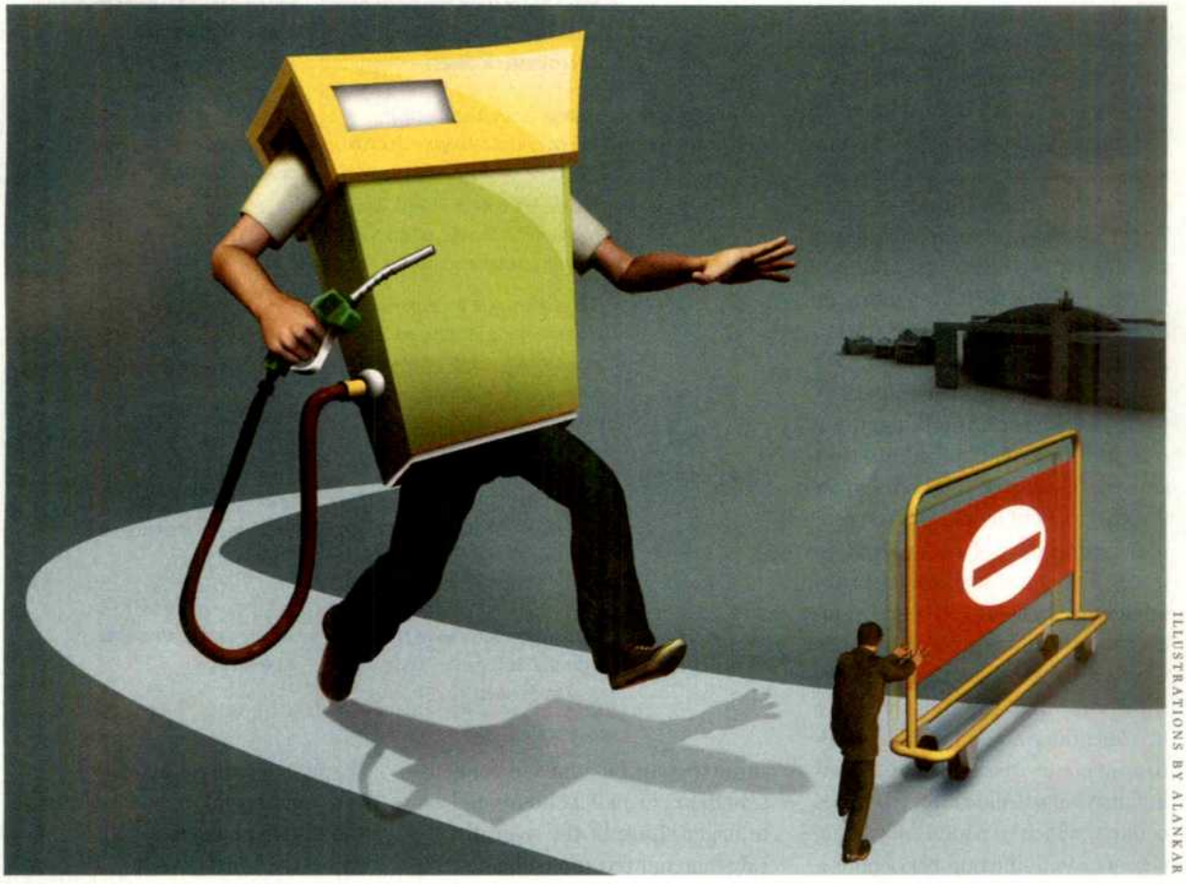

ILLUSTRATIONS BY ALANKAR

Two Cheers for Oil Reforms

Subsidies on LPG and kerosene are not only desirable but can also be made viable, argues Kirit Parikh.

The deregulation of petrol, and eventually diesel, prices is certainly desirable as it will liberalise the energy sector. This was the most important of all the recommendations we (five-member expert group, headed by former Planning Commission member Kirit Parikh, to advise on a viable and sustainable system of pricing petroleum products) had submitted to the government. Decontrolled petrol and diesel prices boost the energy security of the country.

The energy sector will become fully competitive when diesel prices get fully decontrolled. To get there, the government could have raised the prices to the market-determined level while cushioning the impact to consumers by lowering the excise duty on diesel by Rs 1.75 per litre. The earlier non-market mechanism for setting prices had eliminated competition by driving out private companies from the retail business. The under-recoveries reported by the public sector oil companies could have overstated their losses due to administered prices as they are based on

assumed notional costs of distribution and transportation, etc. A lot of the fat in the system would disappear with complete deregulation as companies could begin to use hedging, stocking and long-term contracts resulting in smoother and, perhaps, even lower market prices.

We (Kirit Parikh Committee members) were asked to suggest a viable and sustainable system of pricing petroleum products, but the dilution of the recommendations on LPG and kerosene will not make the fuel subsidies viable, which is disappointing. There is a strong case for subsidising LPG since it is a clean fuel and also kerosene as it is used for lighting in most rural households. These subsidies are socially desirable.

But, to stabilise the impact of these subsidies on the Budget, we had recommended a formula that capped the share of their burden on the government at Rs 20,000 crore a year irrespective of the global crude prices. This formula makes the subsidies viable by linking the prices of fuels to the income growth of those who consume them. So, for instance, the quantum of the subsidy under this formula comes down if agricultural incomes rise. Efficient targeting also helps: Allocations to states could be reviewed periodically in accordance with the number of households below the poverty line hooking up to power grids.

The government still hasn't clarified how the subsidies will be funded and by whom; when under-recoveries on account of LPG and kerosene by oil marketing firms will be eliminated and if it will continue to issue oil bonds to compen sate them. Even if it chooses to bea a larger share of the overall sub sidy than our recommendation of R 20,000 crore, the governmen should pass on more of the cost c fuels to consumers, if it wants t make the subsidies sustainable Right now, the burden of the sub sidies is borne largely by taxpay ers, which doesn't exclude the poo since there is no escaping th

HALF MEASURES

The government took the cue from Committee's recommendations, but

	COMMITTE RECOMMENDA
Petrol & Diesel	Complete de-regulation; determined prices at the and the retail level; addit duty on diesel car owner
LPG & Kerosene	Continue to subsidise the cooking fuel but rationali
	Increase LPG price by Rs and thereafter periodic i line with per capita incon
	Increase kerosene price (current price at Rs 9/ltr after periodic increases i nominal agri GDP growth
Under-recoveries	Zero for auto fuel; link b of subsidies borne by ON to global price of crude t a formula.
Subsidies	Government's share woul capped at Rs 20,000-23, at all crude levels.

*On June 30, 2010

WORDSMITH

(NEW WORDS IN BUSINESS)

Betamaxed

What it mea product is beat better markete

Origin: The B format was dev

IRDA's ULIP SALVO

Days after being anointed the ULIPs regulator, IRDA has rung in far-reaching policy changes for over two crore unit holders.

What's been proposed

The lock-in period for all unit-linked products (ULIPS) has been increased from three years to five years. All limited premium ULIPS, other than single premium products, will have premium-paying term of at least five years. Further, all ULIP pension or annuity products will offer a minimum guaranteed return of 4.5 per cent per annum or as specified by the Insurance Regulatory and Development Authority (IRDA) from time to time. All ULIPS will follow the new guidelines from September 1, 2010.

What triggered the move

IRDA wants to clearly establish that ULIPS are insurance schemes and not investment products. Since ULIPS park a bulk of their corpus in equity markets, a vast majority of investors has seen them as a proxy for mutual funds. The latest move, IRDA hopes, will settle the debate once and for all.

Implications for investors

Analysts concur that ULIPS have been repositioned as a long-term product, and have become a good tool for providing for your golden years (with a promise of minimum guaranteed returns). The new formula will protect your lifetime savings, to a great extent, from any adverse market fluctuations.

However, the VHS format, launched by JVC in 1976, became more accepted, thanks to savvy marketing.

Current usage: **Unless Indian electronics companies invest in marketing muscle, their products will continue to be betamaxed in foreign markets.**

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VISA DEBIT

CHINA'S YUAN RED HERRING

Financial markets globally were cheered by China's announcement recently – and its action later – that it would make its currency more flexible. On June 28, China pegged the yuan at its highest level in five years. A stronger yuan should, theoretically, ease global trade imbalances by making exports from other countries more competitive. But it may have little impact on the ground.

It's a relatively small appreciation in the yuan over the short term, which is not exactly what the United States had in mind. The People's Bank of China has clearly specified that "the basis for large-scale appreciation of the renminbi exchange rate does not exist".

The statement forestalled a potential showdown between the US and China at the G20 summit in Toronto. The central bank's move eased pressure from the international community for meaningful currency reform.

The deep-rooted problems of the developed economies, then, won't suddenly disappear because of a shift in currency policy by China. The US economy is still not out of the woods. And, yes, the massive problem of debt in Europe remains a big problem.

RAJIV BHUVA

Decoding the Results

It's the time of the year when companies release their balance sheets, giving investors the opportunity to assess their performance. A primer on key performance metrics. SAMEER BHARDWAJ

WATCH OUT FOR	WHAT IT MEANS	WHAT IT INDICATES	IMPLICATION
Inventory			
Inventory turnover ratio	The number of days that the inventory sits on a company's shelf	Rising ratio shows reduced interest in the company's product	If the ratio is gradually ove it needs to b investigated
Accounts Receivable			
Accounts receivable turnover ratio	It shows how quickly customers pay their bills	Rising ratio is an indication of revenue mismanagement	Rising ratio c indicate fictit revenue reco
Balance Sheet			
Total asset turnover ratio	It measures the efficiency of total assets	This indicates how best the company is utilising its asset base	Gradual fall c mean the firn manipulating income staten
Deferment of Expenditure			
Accrued expenses	It shows the expenses not paid at the end of the accounting year	These expenses are added to the liability side of the balance sheet	Sharp fall in accrued expe should be investigated
Fixed Assets			
Altered method of depreciation or change in lifespan of asset	It enhances the net income by reducing expenditure	An arbitrary change in depreciation method can lead to a higher net income	If no good rea are given for s changes, it co indicate a pro
Revenue Management			
% change in account receivables, % change in net revenue	It reveals the company's credit policies	It indicates the relative stability of the company's credit policy, revenue streams	Variation bet the percentag could indicate fudged accou

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This application for Android, BlackBerry and iPhone devices is a text-to-speech convertor. If you are driving and get a text message or e-mail, it will read it out for you. Using technology developed by iSpeech, the application gives excellent voice quality and readout. However, all this goes for a toss if you are receiving text messages with words in a regional language in them. Using it on an Android device is fairly easy, though the 'free' version has very limited capability and reads out only 250 characters per message – enough for most texts but not nearly enough for e-mails. The 'Pro' version costs $30 for a lifetime licence. It would have been nice if the application did a 'speech-to-text' conversion for you to reply. You can, however, auto-reply using some pre-set messages. Do remember to switch off the application when you get to work or if you have company. You don't want certain texts being heard by everyone after all.

-KM

Nokia's latest, and a very loud flat panel TV

Nokia's Big Baby

Nokia N900

We do not mind devices with a bit of heft, but seriously, the Nokia N900 is a rugby fullback beside ballerinas. Check the new iPhone 4G: slim; the HTC Evo, slim; the SonyEricsson Xperia X10, slim. And we honestly would not make a huge fuss if the Nokia N900 was brilliant. The Maemo operating system powering it is certainly quite smooth and responsive, but is also its biggest problem. Maemo unfortunately will not be used on too many Nokia devices; and while the Linux underpinnings of the device make it relatively easily to port applications between Maemo and Google's Android, the application environment for Maemo is currently quite weak. And the N900 lacks multi-touch. Yes, the Firefox browser onboard is quite nice, but, at this price point, we could go in for a decent Android device. At least until the Nokia N8 comes along. KUSHAN MITRA

- ⊕ The best Nokia device available today. Maemo operating system responsive.
- ⊖ Big, bulky, overpriced, lack of applications

Price: Rs 30,639

Loud and Clear!

Onida Diamond KY Rock

Turn up the volume on this new television from Onida and it's like a jack-hammer inside your brain. A 1,000 watts of audio output is a lot, add a woofer and you're talking Boeing 747 take-off levels of noise. Well, almost.

On a positive note, the set comes with Onida's impressive 'iPLAYON' technology which plays back most digital formats, including Xvid and DivX. This should please those who scour the Internet for content.

It scores on other fronts as well—good contrast and picture, Full-HD playback and easy to set up. -KM

- ⊕ It's loud. And it plays back several digital video formats
- ⊖ It's loud. Very loud

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*EcoStruxure architecture reduces energy consumption by up to 30%.

In the Spotlight

RAJIV DUBE

Changing Track

It has left industry insiders scratching their heads. Rajiv Dube, for long President for passenger cars at Tata Motors, has decided to move out of the Tata Group and join the Aditya Birla Group. No one is quite sure what triggered the exit. After all, the 48-year-old Dube has been the blue-eyed boy of Ratan Tata. Was it because of a lack of challenge at Tata Motors or just a high-profile executive poaching by a head-hunting firm? According to people who know, Dube's new assignment would involve a more back-end role at the AVB Group — as part of the Corporate Advisory Board of the Group. In fact, he won't be a media-facing person in his new role.

Now, this would be a sea change from his high-profile job with the Tatas. Dube was effectively the face of Ratan Tata's passenger car operation since 1998, including the introduction of the Tata Nano in 2009. He also played a big role in the integration of Jaguar Land Rover into Tata Motors.

Dube's experience in project management and partnership building could make him an invaluable asset for AVB Chairman Kumar Mangalam Birla. But would a relatively staid job in an old economy group hold Dube's interest for long? We'll wait and see. Dube has mentioned in the past that he would miss cars.

KUSHAN MITRA

Well Said

Contractionary policies, if followed by many industrialised countries simultaneously, could provoke a double-dip recession. We have much greater risk of deflation than inflation.

Manmohan Singh
at the G20 summit in Toronto

How could the non-executive chairman be responsible for a design flaw in the plant? I agree this is our worst tragedy, but we can't get emotional about it.

Deepak Parekh
Chairman, HDFC Bank, on the conviction of Keshub Mahindra in the Bhopal gas case, in The Times of India

I am the Chairman of the company and require foresight. I don't believe in the industry's perceptions, I believe in creating trends.

Kalanithi Maran
Chairman, Sun TV, after his acquisition of SpiceJet, on his lack of experience in aviation, in The Economic Times

CLASSIC BUSINESS QUOTE

The successful man is the one who finds out what is the matter with his business before his competitors do.

Roy L. Smith
Professor, NYU Stern School of Business

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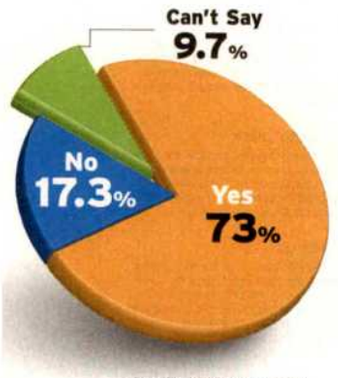
Will a 25 per cent public float for listed companies ensure better price discovery?



Results of BT Online poll; No. of respondents: 204

An overwhelming majority in our poll concur that a mandatory 25 per cent public float would ensure better price discovery. And for good reason. For one, more shares available for trading in the secondary market would mean greater liquidity, in turn paring volatility and making the markets more stable. Diverse shareholding also makes price manipulation difficult. Even the primary market would get a leg-up. More people participating in IPOs would lead to better pricing of new stock issues as well. If, and when, the government does bite the bullet and push ahead with the proposal, it could mean a slump in share prices as more shares enter the market. It could be a great buying opportunity for long-term investors in quality companies.

Next poll question:

Will the government decision to free fuel prices have a long-term inflationary impact on the economy?

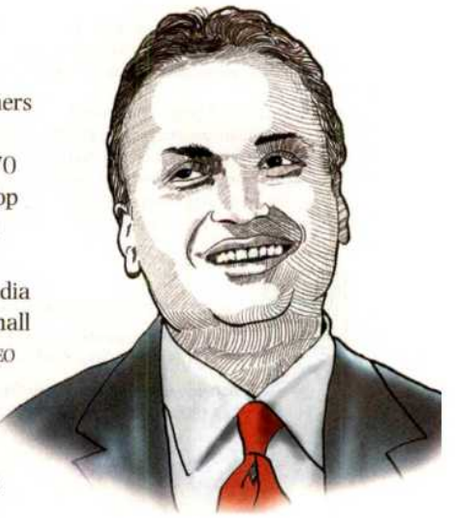
Log on to www.businesstoday.in to cast your vote

BT-CARMA

CEO Watch

INDIA'S AND THE WORLD'S MOST TALKED-ABOUT CEOs IN JUNE

Anil Ambani



For yet another month, the Ambani brothers took the lead amongst CEOs figuring in Indian media. Together, they cornered 70 per cent of the media coverage for the Top 10 CEOs. The truce between the Ambani brothers and annulling of their non-compete agreement was dissected in media reports. Beating the older sibling by a small margin, Anil Ambani was the leading CEO in June. Keshub Mahindra, Chairman, Mahindra & Mahindra, also hogged the limelight for his role in the 1984 Bhopal gas tragedy and the court ruling that came on June 7. He features at the No. 3 spot on our list.

TOP 10 INDIAN CEOs

Mukesh Ambani

O.P. Bhatt

Rank	CEO/Company	No. of Stories	
1	Anil Ambani | ADAG	135	▲
2	Mukesh Ambani | RIL	130	▲
3	K. Mahindra | M&M	35	▲
4	Ratan Tata | Tata	20	—
5	O.P. Bhatt | SBI	15	▼
6	Sunil Mittal | Bharti	9	NEW
7	Deepak Parekh | HDFC	9	▲
8	K.M. Shaw | Biocon	9	▲
9	K. Gopalakrishnan | Infosys	7	▼
10	Arvind Jadhav | Air India	7	—

TOP 10 GLOBAL CEOs

Tony Hayward

Steve Ballmer

Rank	CEO/Company	No. of Stories	
1	Tony Hayward | BP	187	▲
2	Warren Buffett | Berkshire Hathaway	77	▲
3	Tidjane Thiam | Prudential	69	▼
4	Steve Jobs | Apple	67	—
5	Mukesh Ambani | RIL	57	▼
6	Willie Walsh | BA	41	NEW
7	Steve Ballmer | Microsoft	36	▲
8	Robert Benmosche | AIG	35	▲
9	Mark Zuckerberg | Facebook	34	▼
10	Marius Kloppers | BHP Billiton	32	—

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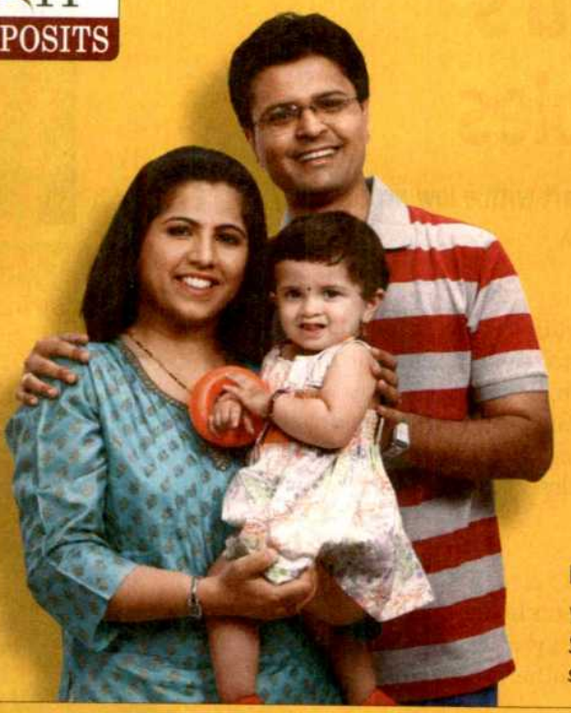

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*Extract from Dun & Bradstreet Report dated May 2010.

Cleaning Raju's Augean Stables

Maytas cleans up its books but is left with a low profitability construction business. E KUMAR SHARMA

THE MAYTAS PLAN

Transfer investments (fair value of Rs 575 crore) to Maytas Investment Trust

Trust vests economic benefits of investments to lenders

But it still has a mountain of debt on its books (Rs 900 crore)

Maytas Infra has been under scrutiny since Ramalinga Raju confessed to the country's biggest accounting fraud at his software firm Satyam Computer Services in January 2009. This was two weeks before Satyam tried to merge Maytas into itself. Maytas has subsequently faced a credit squeeze and lost several key contracts adding up to Rs13,000 crore. Here's a closer look at how the company plans to repay its creditors.

Firesale to...

The company is unlocking its investments to repay debtors. It sold its stakes in Bangalore Elevated Tollway Ltd, Cyberabad Expressway Ltd and Hyderabad Expressway Ltd, among others, to a trust formed for restructuring its debt.

... pay off debts

To this trust, named Maytas Investment Trust, the company has transferred its investments adding up to Rs 310 crore in diverse build-operate-transfer projects at fair value aggregating to Rs 575 crore. The company has also transferred equivalent amount of bank liabilities to the trust based on the approved debt restructuring package.

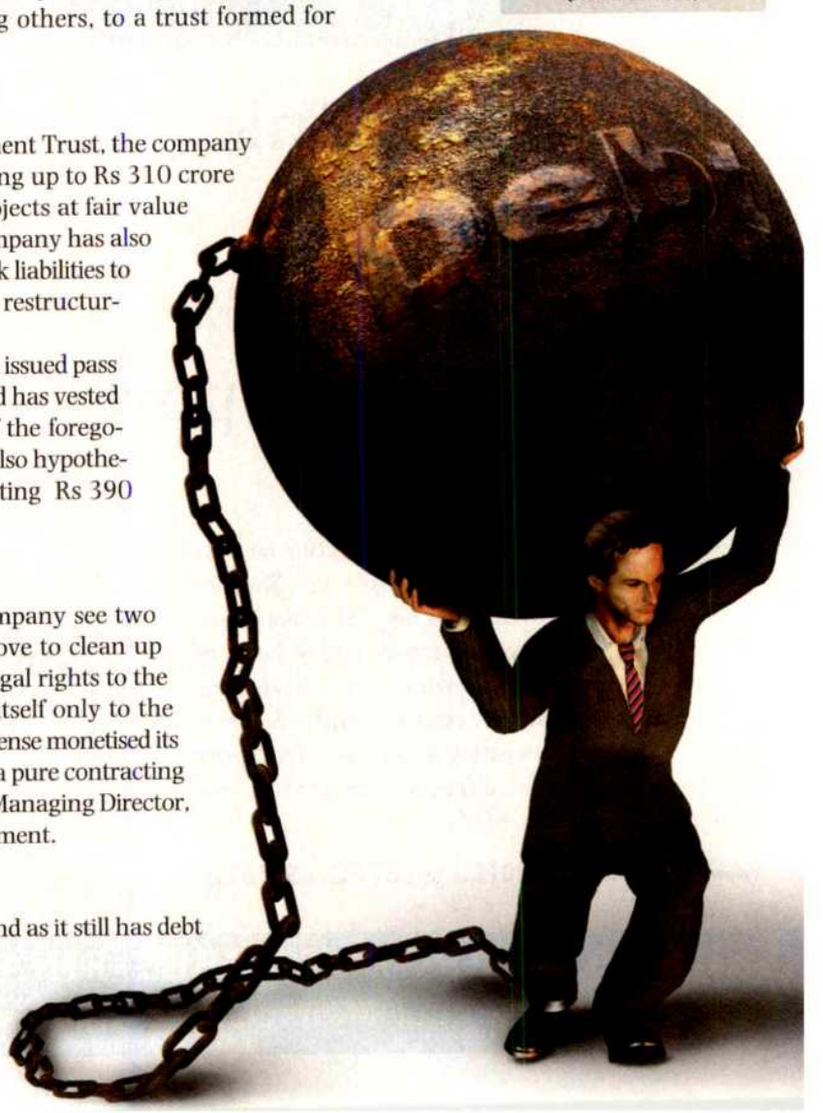
It states that "the trust has in turn issued pass through certificates to the lenders and has vested the economic benefits arising out of the foregoing investments to the lenders." It'll also hypothecate intercorporate deposits aggregating Rs 390 crore in favour of the lenders.

Now a contractor...

Analysts who have tracked the company see two messages from this: One, a clear move to clean up the books. Two, it is giving up the legal rights to the benefits from its assets and linked itself only to the liability. "The company has also in a sense monetised its assets and has now turned itself into a pure contracting company," points out Jayesh Desai, Managing Director, Enam Infrastructure Funds Management.

... with a long way to go

The company is far from a turnaround as it still has debt of Rs 900 crore on its books.



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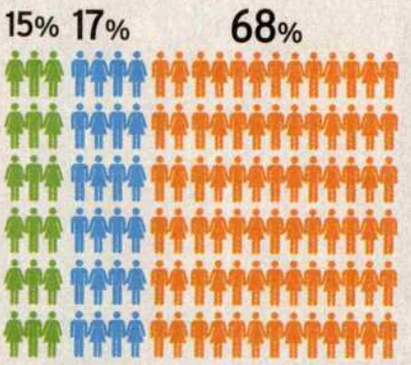
SMALL CITIES, BIG MARKI

Domestic demand and consumption have been the backbone of India's economic resurgence over the past couple of decades. Most of this demand was concentrated in the metropolitan cities, with the top eight cities accounting for almost 40 per cent of the total. However, there has been a tectonic shift in consumption patterns in recent years with the smaller cities and towns emerging as the new economic powerhouses, as a recent study by Ernst & Young finds.

Split of Urban Population
2008-09

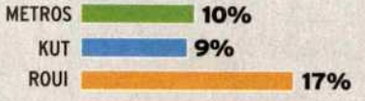


- METRO CITIES: **51,371,205**
- KEY URBAN TOWNS (KUT): **55,490,940**
- REST OF URBAN INDIA (ROUI): **231,300,828**

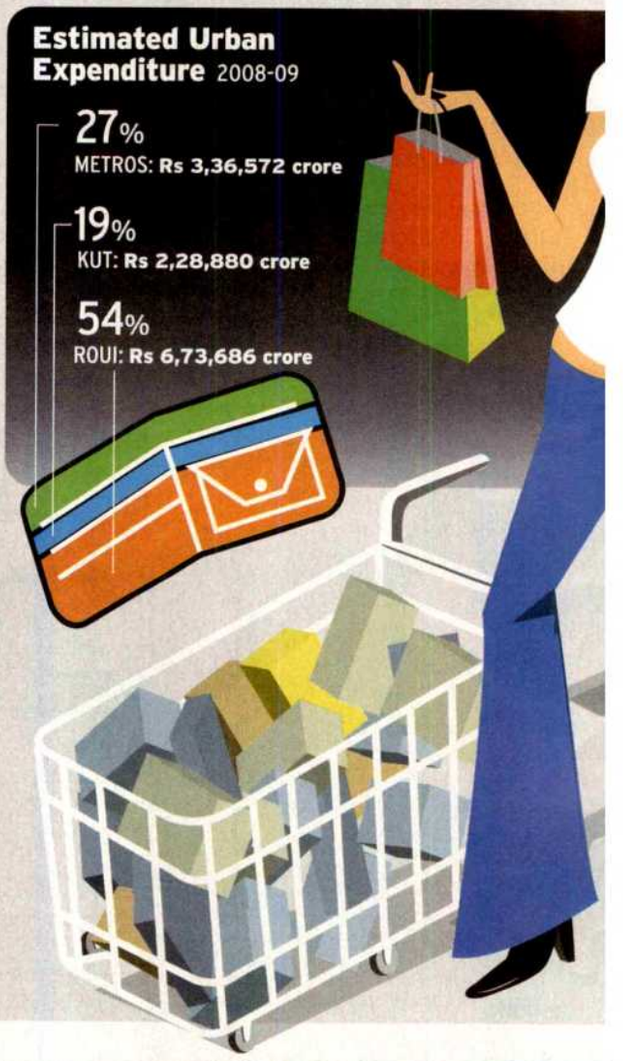
Metro cities refer to the top six metros. Key urban towns refer to 22 cities following the metros in market potential

Estimated Per Capita Urban Expenditure 2008-09

Expected Annual Market Growth 2004-15



Estimated Urban Expenditure 2008-09



Source: Ernst & Young Pvt. Ltd.

5 STEPS TO HERE
SEBI-IRDA FACE-OFF

1

1971
Unit Trust of India (UTI) launches ULIPs in India with a group insurance arrangement with the Life Insurance Corporation of India (LIC). UTI, as a mutual fund, invests the unit-holder's money in the capital markets, while LIC provides the required insurance cover.

2

2001
Private insurer: selling ULIPs in Initially, life ins source fund ma to mutual funds

3

2008

Life Insurance Council, a representative body of the industry, asks insurers not to tie up with mutual funds, leading to the first face-off between the Insurance Regulatory and Development Authority and Securities and Exchange Board of India.

4

2010

In January, SEBI asks insurers why its approval has not been taken before selling ULIPs. In April, SEBI bans all private insurers from issuing fresh ULIPs. IRDA asks insurers to ignore the SEBI ban.

5

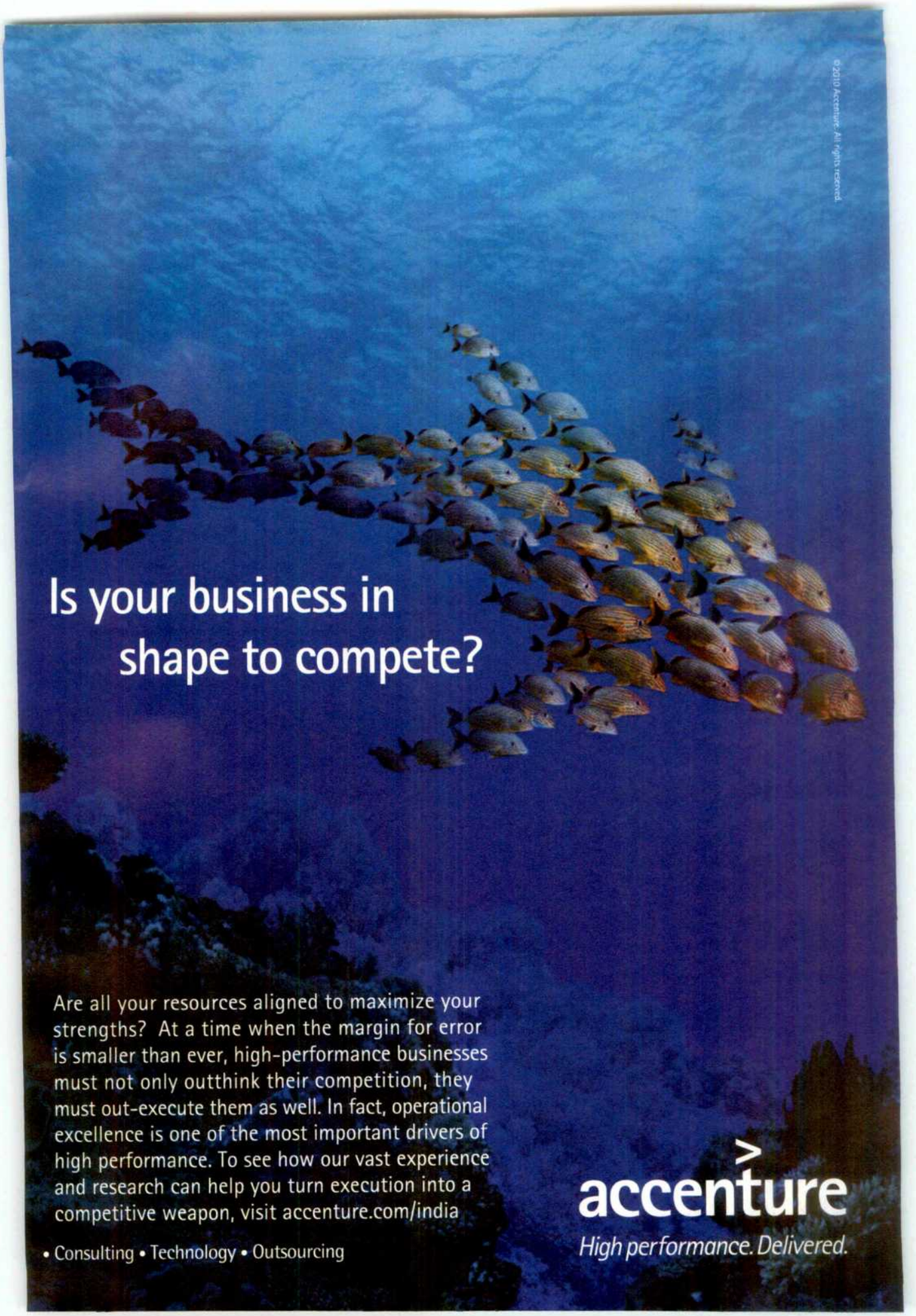
2010

IRDA emerges as the winner with the government ruling that it would oversee the product. IRDA plans to unveil new rules for ULIPs which offer guaranteed maturity benefits to protect policyholders besides raising the minimum lock-in period.

MANU KAUSHIK

MONEY SHARMA

As the supply-demand mismatch gets resolved in India with several thousand more rooms coming into the market, room rates will become cheaper. From what we are hearing from the bigger brands, both local chains such as ITC Hotels and international chains such as Accor are expanding. Several lower-cost hotels such as the Ibis are coming up in major cities in India. As for small private hotels, we have a very good team of people who get in touch with several of these, which range from basic bed-and-breakfast joints to small local boutique chains.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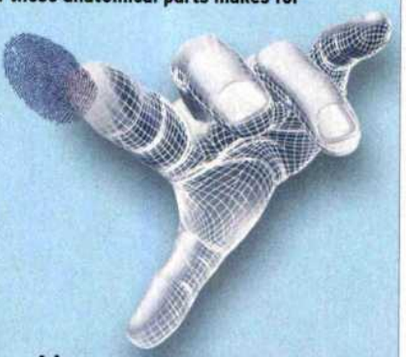
How Things Work

Biometric Scanning

The Aadhar project, the Indian government's effort to provide a unique ID to its citizens, plans to use biometric scans of the face, iris and fingerprints of each and every person. Here's why each one of these anatomical parts makes for unique identification criteria.

Fingerprints
With complex ridges and furrows, each fingerprint is unique. Caveat – a koala's fingerprint cannot be distinguished from a human one even under an electron microscope.

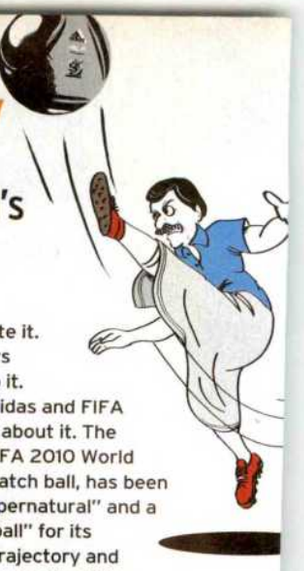


Iris
The colour pattern of our irises is determined genetically in the womb. Even identical twins have different iris colours and patterns.

Face
Forget John Woo's Face-off. Faces are not easy to replicate. A facial scan takes a two dimensional map of the face, thereby recording aspects of the face that don't change much over time like distance between eyes and sides of the mouth.

Quirky

The Jabulani's Malayali Heart



The strikers hate it. The goalkeepers can't hold on to it. And makers Adidas and FIFA are really mum about it. The Jabulani, the FIFA 2010 World Cup's official match ball, has been branded as "supernatural" and a "supermarket ball" for its unpredictable trajectory and balance. Just proves that the prefix super is not always a good thing. Incidentally, Brazilian striker Robinho thinks the designer of the ball has "never played football". What's worse the much maligned ball, which costs about $110 a piece, has a strong Indian connection. Even though the Jabulani is manufactured in China, its bladders are made in Kerala. Lakhs of bladders, made of the finest latex from God's own country, are being shipped even as you read this. Incidentally, the word Jabulani means "bring joy and happiness". Guess these balls aren't giving FIFA any joy at all.

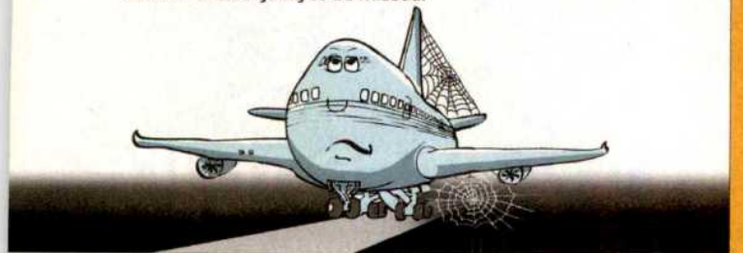
ILLUSTRATIONS BY ALANKAR

COMPILED BY T.V. MAHALINGAM & KUSHAN MITRA

Just Wondering

Navi Mumbai's Missing Airport

It's a project that's been on the drawing board forever. The proposal for an international airport in Navi Mumbai has been shuttling government offices of Maharashtra and Centre for almost two decades now. After much dilly-dallying, the Central government approved the project construction in May 2007. It was then that the Union Ministry of Environment and Forest raised a red flag citing harm to 150 acres of mangroves. The airport is expected to come up on 2,000 ha (75 per cent of which has already been acquired), with an investment of around Rs 10,000 crore, near Panvel in Navi Mumbai. Given the pace at which things are going, it looks like Aviation Minister Praful Patel's promise of the airport's first phase being operational by 2013 is another deadline that's going to be missed.



Snoot Corner

Herman-Miller Aeron

What can you say about a product that is considered an icon of modern industrial design? The Herman-Miller Aeron is an office chair that is so much more than an office chair. It was a symbol for the boom-and-bust dotcom insanity of the late-1990s when venture capital-funded dotcoms spent over $2,000 on the chair as inducements to employees only because Aeron was seen as 'cool'. But unlike scores of the dotcoms of the time, the Aeron survived and will celebrate its 16th birthday this year. Last year, the chair made it to the permanent collection at New York's famed Museum of Modern Art. But while it isn't new, the Aeron still sets standards for support to both the lower (lumbar) and middle (sacral) parts of your spinal column and gives unprecedented ergonomic support. And while prices have fallen as tens of copycat products invade the market, a new Aeron would still set you back upwards of $800. And it is still cool.

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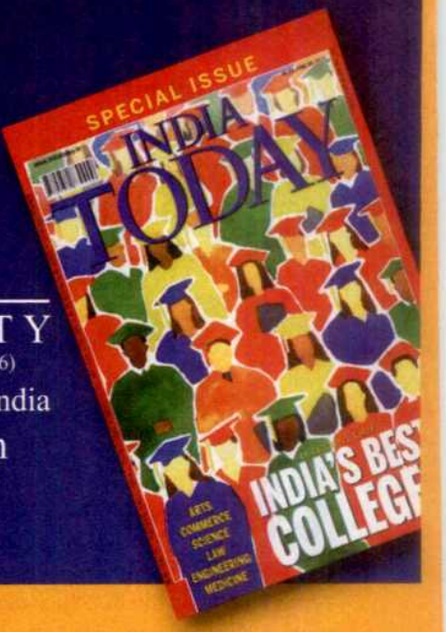

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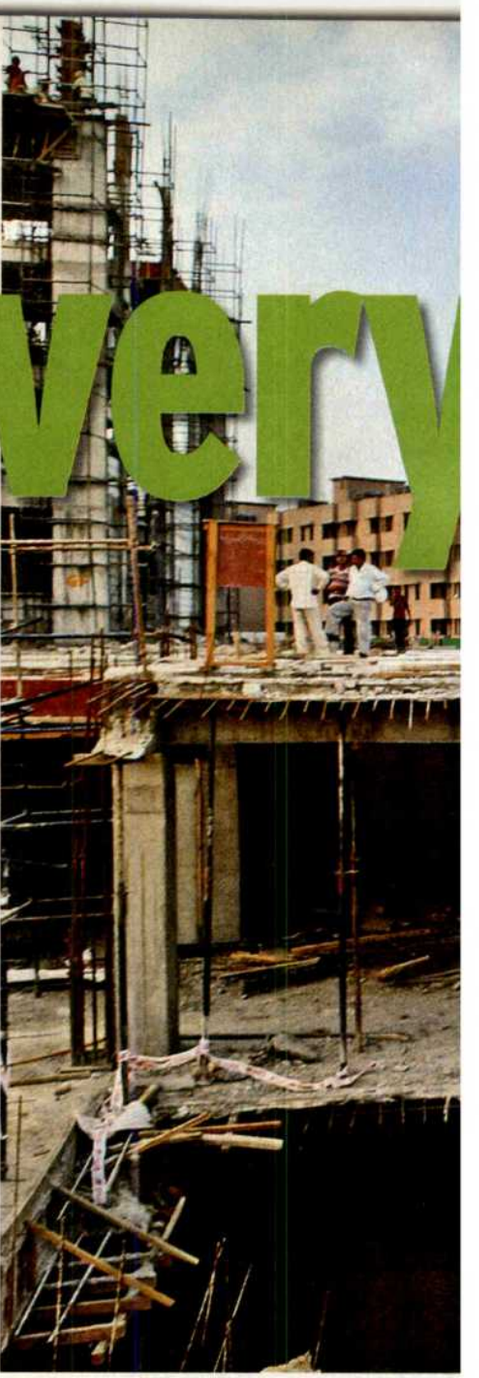
Recovery

Still Fragile and Patchy

Two years after the property bubble burst, developers are back with cleaner balance sheets and projects that range from no-frills homes to swanky towers. But customers are not biting. TEAM BT



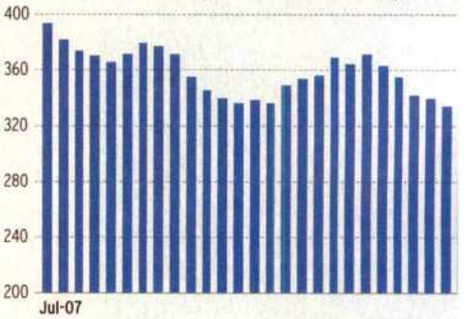
July 2009: Vishal Sharma is the typical middle class Indian home buyer. Careful, diligent and financially savvy. Working at a Noida-based software services firm, Vishal and his wife Kavita, a school teacher, had been on the hunt for an apartment for over two years. The summer of the Year of the Ox proved lucky for them. Office developer 3C Company's maiden residential project, Lotus Boulevard, was coming up in Noida.

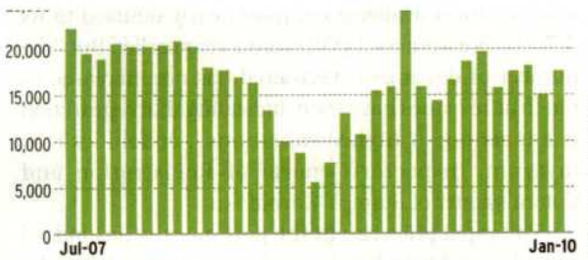
"I figured that since it was their first project, they would be extra careful in delivering quality and the bottom line was the price," says Sharma, 31. After a discount on the launch price of Rs 2,850 a sq. ft., the price of the two bedroom apartment he booked worked out to around Rs 46 lakh. The clincher: Sharma signed up for a loan from LIC Housing Finance at 8.9 per cent interest fixed for the first three years.

November 2009: Sobha Developers convened a meeting of some 50 leading property dealers in Bangalore just before the launching of Sobha Cinnamon, a 200-apartment residential project on Sarjapur Road, a spur from the city to tech-to-shampoos behemoth Wipro's headquarters. Sobha was meeting dealers to understand if they would be able to sell flats in the pre-launch period

Housing Supply At A Three Year Low...

Inventory at 282 mn sq. ft.; down 28% from peak*





*Aggregate of NCR, MMR, Bangalore, Chennai, Hyderabada and Kolkata
Source: PropEquity data

GRAPHICS BY KULDEEP

Rs 3,552 a sq. ft.

June 2010: The 3C Company has launched a second project in Noida priced at Rs 3,500 a sq. ft. Sharma wonders if he would have bought at this rate. "Prices have increased earlier than they should have. I have had my share of luck," he says. Between June last year and this year, prices at Sobha's Chrysanthemum project in North Bangalore, too, have risen by Rs 500 a sq. ft. Customers are not hung up on discounts now, insists Sobha Managing Director J.C. Sharma.

month data is available for, have nearly doubled to Rs 3,700 crore from Rs 2,000 crore a year earlier. But "the number of documents registered has not increased as much as revenues have risen, indicating that registration is happening at higher valuations", concludes S.N. Jayaram, Inspector General of Registration and Commissioner of Stamps, Karnataka.

The rapid price rise in the past months has indeed rattled prospective buyers pushing them back to sidelines and resulting in a drag on sales. For instance, in

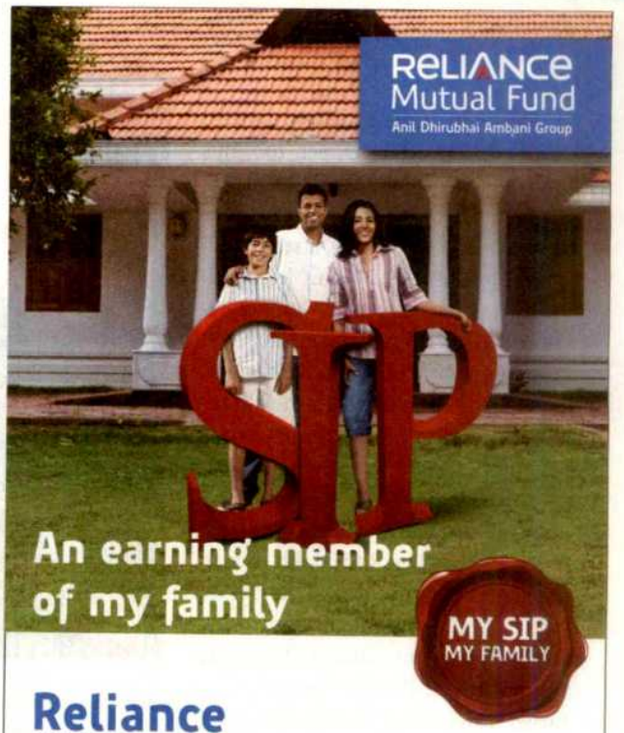
Mumbai, parts of Bangalore, and the National Capital Region, prices have shot up by as much as 30-40 per cent. At these elevated levels, obviously, buyer resistance is creeping in. "The volumes have certainly dropped in some markets by 15-20 per cent, if not more," says Pranab Datta, Vice Chairman and Managing Director of property consultancy Knight Frank. "Enquiries are still very high, but fewer transactions are being consummated."

In Chennai, which is a relatively more stable real estate market, T. Chitty Babu, Chairman and CEO, Akshaya Homes, and Tamil Nadu chapter President for industry lobby Confederation of Real Estate Developers Association of India, puts soaring prices to rising input costs. "Labour costs have escalated. Earlier it was a quarter of the builder's cost but now it is already up to 35 per cent, and in two years will reach 50-60 per cent," he says. Expensive raw material and a 10 percent service tax levy only feed into the spiral.

Even so, the risk from such bullish pricing behaviour by some real estate companies, says one expert, is that several realtors and wannabe developers who are planning to enter residential realty attracted by the current high prices could run into severe pricing pressure when their projects are ready. For instance, says Anurag Mathur, Managing Director at realty consultant Cushman & Wakefield, many realtors have converted their commercial projects into residential ones to reduce their debt-equity ratio. "Given the long-term nature of commercial projects, the balance sheets of realtors get stretched. On an average more than 70 per cent of future developments have been earmarked for residential development, since the asset class has showed the greatest resistance to the down-turn on the back of end-user demand," he says.

Structural Change

Other changes have swept the real estate market in the last two years, too — some helping the finances at the builder firms. One is the increasing share of low rise and so-called affordable housing projects in the market. Take BPTP. The company, says its Head of Marketing Amit Raj Jain, re-aligned its residential project portfolio to low-rise group housing and launched three projects in Faridabad: Park Elite Floors, Park Elite Premium and Park 81. The result was that in the six months between April and September 2009, the company sold a record 7,019 apartments, equivalent to over 7 million sq. ft. The reason for the hot sales was simple. The homes were priced between Rs 16 lakh and Rs 30 lakh — yes, the apartment size was at times halved — far lower than BPTP's earlier projects, which were priced in the range of Rs 40 lakh to Rs 1 crore.



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Unitech, India's second-largest listed real estate developer, too, has followed a similar tack. Till 2008, Unitech's lowest product price was about Rs 60 lakh. Today, it sells products as low as Rs 13 lakh. "In March 2009, we saw the early signs of recovery post the financial crisis," says Managing Director Sanjay Chandra. "It started with revival in the affordable segment followed by upper-middle and high-end by October 2009." Almost 85 per cent of the pre-project apartment sales, he adds, came from units priced below Rs 50 lakh garnering the company almost Rs 7,000 crore. That momentum continues. For the current financial year to March 2011, Unitech has a target of Rs 3,000 crore cash flows —75 per cent more than the cash it generated last fiscal year.

Others like Abhisheck Lodha, Managing Director of Mumbai's Lodha Developers, which plans to build the tallest residential tower in the world in central Mumbai, also points out to a subtle change in customer profiles. "We are seeing interest from long term buyers — end users in most of the cases," he says, not investors looking to make a fast buck.

ANURAG MATHUR
Managing Director, Cushman Wakefield

"More than 70 per cent of future developments have been earmarked for residential development"

Rising realty prices and increased home sales have also helped developers repair balance sheets dented by debt, levels of which had been pared with earlier financial recasts and equity placements but were still high. "Today, we are in a position to reduce our debt component purely from operating cash flows," says Chandra of Unitech.

Elsewhere, Sobha's Sharma says his firm has trimmed debt on the back of a private placement and brisk apartment sales. From a debt-equity ratio of 2:1 in October 2008, the company is now at a comfortable 0.8:1. "In October 2008, we had an inventory of about 2000 units. Now we have less than 1,000 units (inventory) despite launching 700 plus units in three new projects," he says, illustrating how better demand helped.

Correction Ahead?

In the year ahead at least, then, housing sales are likely to be at prices that suit developers unless new supply coming up on ground holds down prices like in Noida and Greater Noida, satellite towns to New Delhi in the NCR. The current declining affordability could put sand in the wheels of a robust recovery and lead to what many fear will be a double dip in the real estate business.

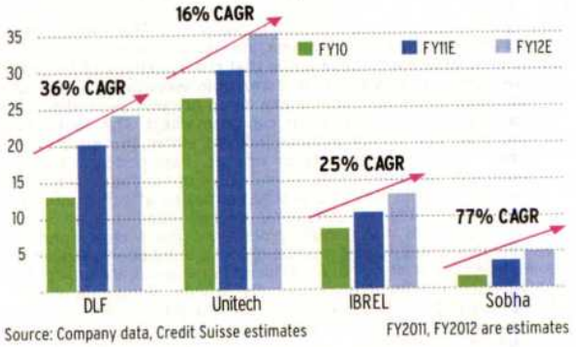
At DLF, India's biggest listed realty firm, group Executive Director Rajeev Talwar believes there is a real chance of the customer being priced out of the market, as interest rates and government levies such as service tax, stamp duties and circle rates, too, increase. Unless the process of government and civic approvals that typically take two years and average construction time of three years are crunched and new projects enter the market, a recovering economy will again put pressure on prices, Talwar insists. "There is no price bubble in India. It is just constrained volumes," says he.

Industry veteran Arun Nanda, perhaps, has sage advice for his fraternity. "The industry players should not price themselves out of the market. There is strong demand and tremendous opportunity for many players in real estate," says the Non-Executive Chairman, Mahindra Lifespaces. At a time when buyers are poised to return, the onus is squarely on developers — to not be in a hurry to jack up prices in a bid to restore their financial health, but to provide more and more consumers with quality homes at reasonable prices.

It's a fine balancing act, but if developers do succeed, it could be a win-win proposition for both buyers and property companies. ⊙

REPORTING BY SHALINI S. DAGAR, MANU KAUSHIK, RAJIV BHUVA AND K.R. BALASUBRAMANYAM

Low Inventory Levels to Encourage New Supply
New launch estimates at top realty firms



Source: Company data, Credit Suisse estimates
FY2011, FY2012 are estimates

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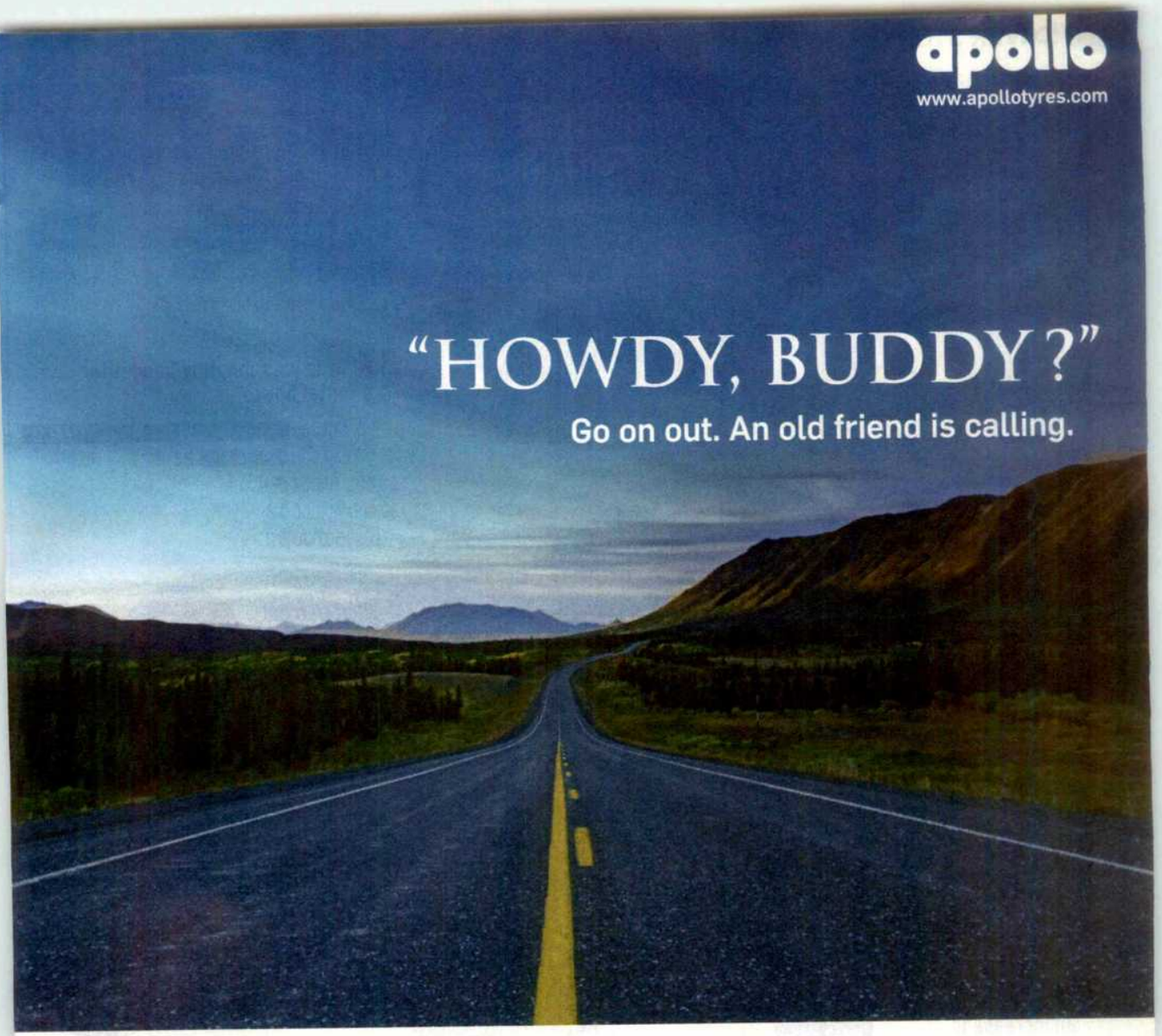

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STRONG OUTLOOK FOR HOME BUYING

A BT-Makaan.com survey shows buyer appetite for homes is strong. Half the respondents interested in buying homes say they will stick by their purchase decision even if prices rise 10%.

BUY

4,090 Respondents

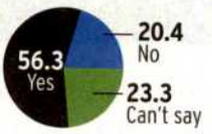
1 What is your primary purpose of buying?

- 68.4% Self-occupation
- 7.4% For short term (<3 years) investment
- 20.8% For long term (>3 years) investment
- 3.3% To use the income tax exemption

2 What type of property would you prefer?

Ready to move	Under construction	New project
56.9	23.6	19.5

3 Have you witnessed an increase in property prices in the last six months?



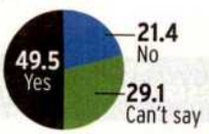
4 Has that influenced your decision to buy property?

Yes	No	Maybe
41.9	28.9	29.2

5 How will property prices move in next 12 months?

- 8.8% Decrease by > 20%
- 13.6% Decrease by 5-20%
- 29.8% Move in +/- 5% range (stable)
- 38.2% Increase by 5-20%
- 9.6% Increase by > 20%

6 Assuming property prices increase by 10%; would you still hold firm to your decision to buy?



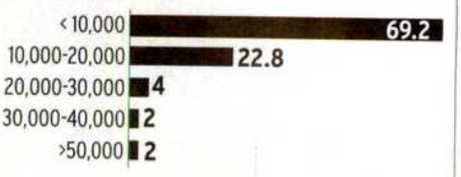
RENTAL

1,010 Respondents

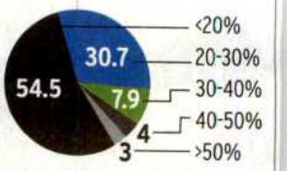
1 What is the prime reason for looking out for a house on rent?

- 46.5% Settled in the city for job purpose
- 10.9% Settled in the city for education purpose
- 28.7% Want a location closer to your workplace
- 13.9% Unable to buy a house

2 What is your monthly budget for a rental house?



3 What percentage of your total income is spent on rent?



4 Is there lack of enough good quality rental space in your city?

Yes	No	Can't say
37.6	25.7	36.6

5 Have you experienced increased rentals in the last two years?

6 By how much has your rental changed in the last two years?

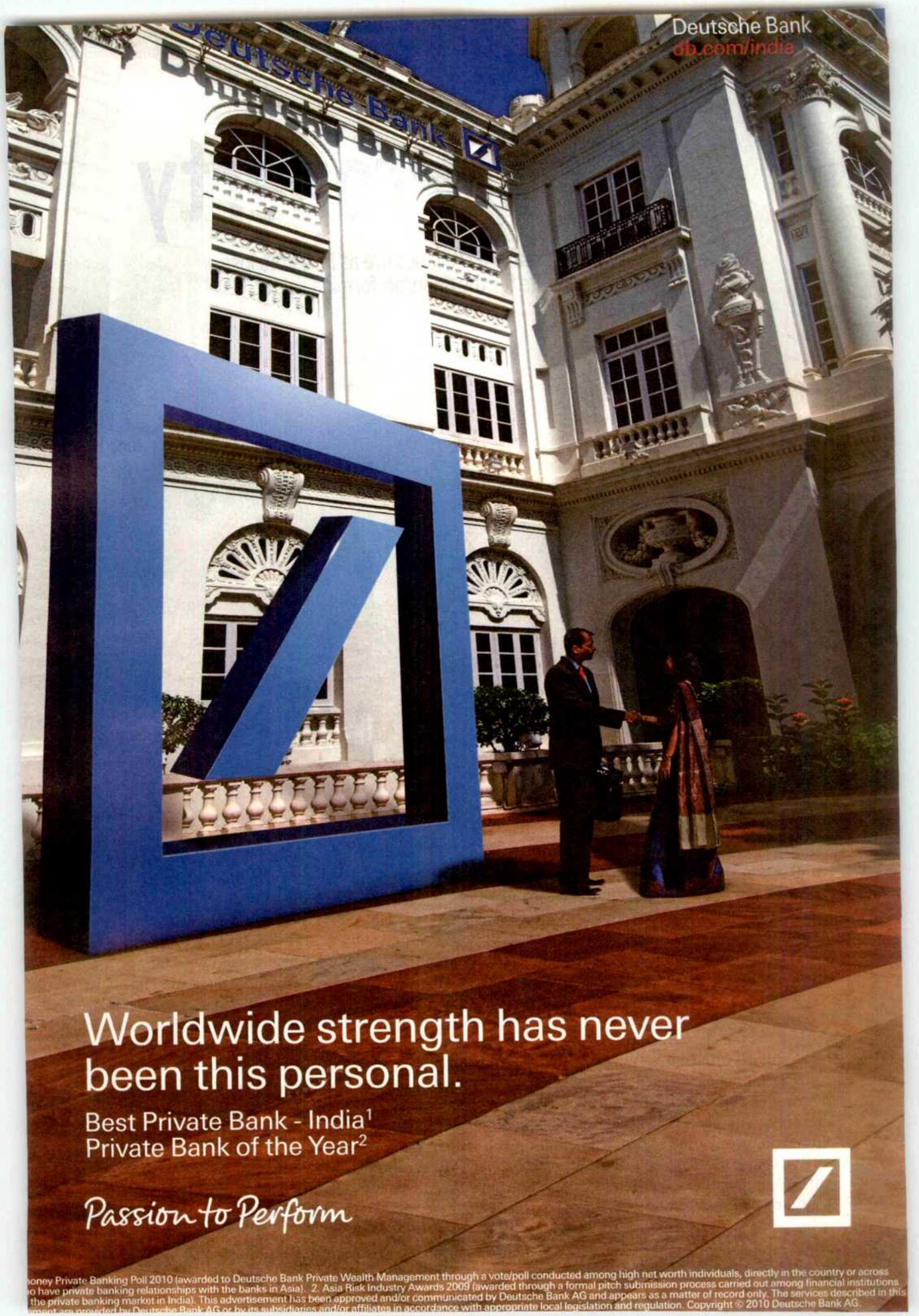
- 10.9% Decrease by **> 20%**
- 11.9% Decrease by **5% to 20%**
- 22.8% Move in **+/- 5%** range (stable)
- 39.6% Increased by **5% to 20%**
- 14.8% Increased by **> 20%**

7 Are rents becoming unaffordable?

8 At current rentals would you much rather pay an EMI to buy a house?

Yes	No	Can't say
53.5	44.5	2

Rounded-off figures may not add up to 100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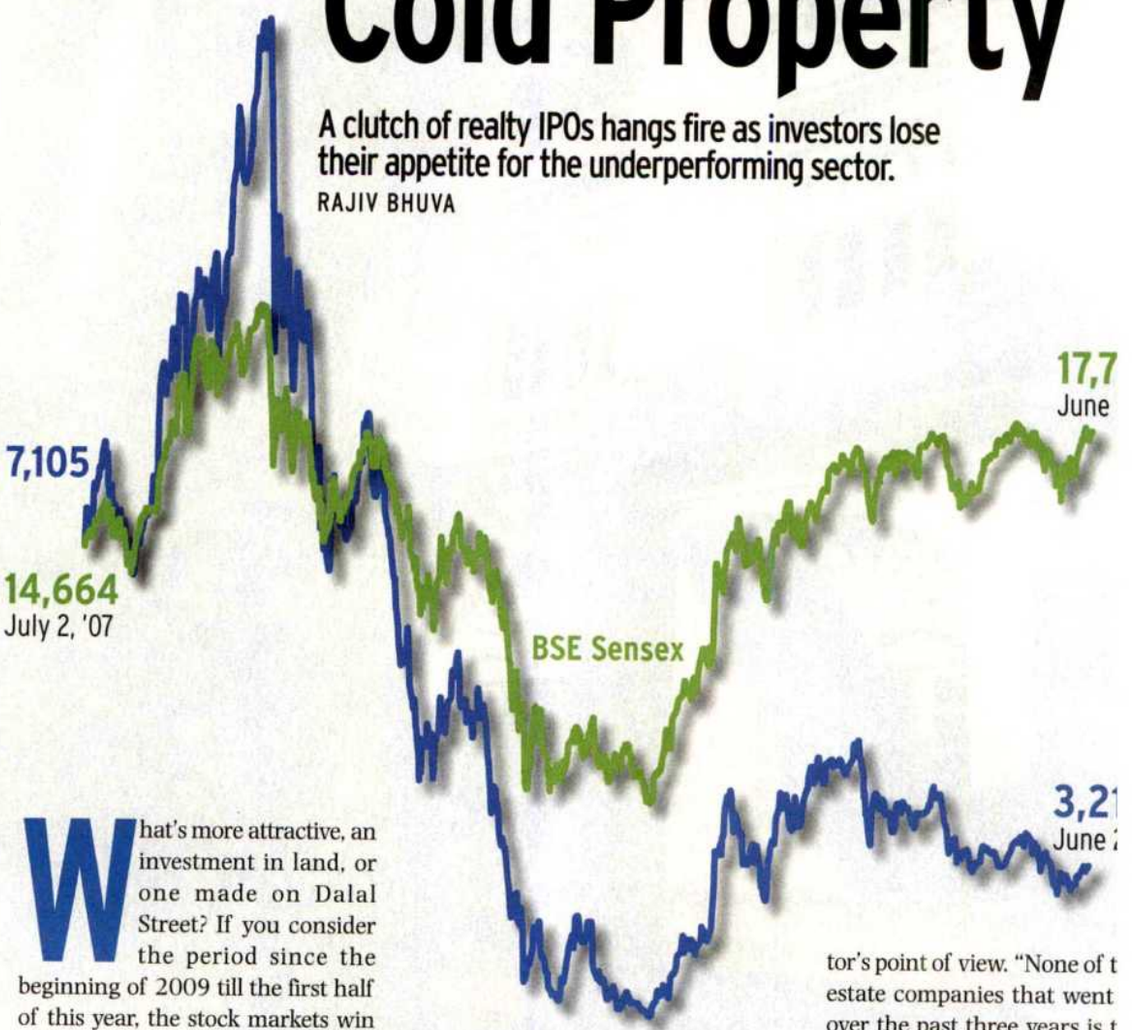
Cold Property

A clutch of realty IPOs hangs fire as investors lose their appetite for the underperforming sector.

RAJIV BHUVA



What's more attractive, an investment in land, or one made on Dalal Street? If you consider the period since the beginning of 2009 till the first half of this year, the stock markets win hands down, with the BSE Sensex shooting up by close to 80 per cent in these 18 months. Land prices, on the other hand, have stayed virtually stagnant over this period.

Appreciation over a two-year period may not be an accurate barometer of the superiority of an asset class, yet the objective in using this illustration is that the real estate sector hasn't quite recovered from the crash of 2008. Also, although investors in equity did make a killing, those who invested in real estate stocks a couple of years ago aren't quite celebrating. Reason: The BSE Realty Index underperformed the Sensex by a long way, gaining only 32 per cent in the past one-and-a half years. If you consider the January-June 2010 period, the picture isn't comforting, either: Whilst the 30-share Sensex didn't gain much (just 0.8 per cent), the realty index plunged by 17 per cent. Ironically, this is a period in which a section of real estate developers are claiming that property prices are inching up in key markets (by between 20 and 50 per cent).

So, what's the story? It's still pretty grim from the equity investor's point of view. "None of t estate companies that went over the past three years is t above their offer prices," Jagannadham Thunuguntla of Equities at SMC Capital.

Consider DLF, the country's realtor and the sector's bellv Last fortnight, it was quoting Rs 290, some 45 per cent be offer price of Rs 525 (it made its public offering or IPO in June 20 recent months, companies like Properties, Nitesh Estates a Realty tapped the public mark since then all — except Properties — are quoting belov offer price. Nitesh Estates, for ins trades at a 40 per cent disc "Promoters should realise that

just about ensuring subscription for their IPOs; performance after listing matters more," says Shobhit Agarwal, Joint Managing Director, Capital Markets, Jones Lang LaSalle Meghraj.

The underperformance of the sector is bad news for an estimated 16 real estate companies that are keen to tap the IPO market. They are collectively looking to raise Rs 18,000-20,000 crore from the market at a time when investors are in no mood to come close to a real estate stock. What makes the new lot of IPOs even more unattractive is that, unlike their predecessors, they bring along with them the baggage of leveraged balance sheets. "Investors are not very sure about the execution capabilities and valuations of real estate stocks," says Prakash Kalothia, CEO & MD, Sun-Apollo Real Estate Advisors, a real estate-focussed private equity fund based in Mumbai.

The Land Bank Bogey

Unlike other sectors that are valued by their price to earnings ratios, real estate stocks were being valued on the basis of their land banks (something that the Securities and Exchange Board of India, the market regulator, doesn't approve of). It can be highly misleading to judge a company by how many acres it has — and putting a value to it — without knowing the location of the land, the type of project planned, and whether there is another partner owning the property. And promoters who did raise money by virtue of the acres they owned had to pay a price. Soon after the listing, many developers heavily leveraged themselves at higher interest rates. Then followed the 2008 meltdown. With demand waning, real estate companies were stuck with higher debt and inventory on their books. "Investors did not see strong numbers flowing quarter after quarter," says Vaibhav Sanghavi, Director for Equities at Ambit Capital. Result: Brokerages that once gave a target of Rs 1,000 for DLF have lowered their targets to Rs 300–340. Promoters in the IPO queue are keeping a close watch on the DLF stock to sense investor sentiment. "When DLF trades above Rs 310-320, that's the right time to tap the market," says a developer on the condition of anonymity.

Brokerages that once gave a target of Rs 1,000 for DLF have lowered their targets to Rs 300-340. Promoters in the IPO queue are keeping a close watch on the DLF stock to sense a revival of investor sentiment.

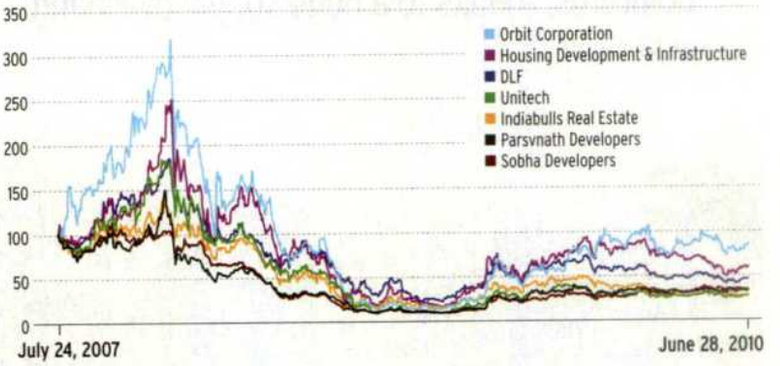
Nayan Shah is one promoter who is waiting to tap the primary markets. But he knows this is not the right time. "Since a sizeable portion of the funds most players plan to raise will go into retiring debt, investors are asking for lower valuations," says Shah, President for Operations and Co-promoter of the Mumbai-based Neptune Group. Neptune had Rs 141 crore of debt on its books at the end of June 2009. One of the reasons for group company Neptune Developers wanting to make a public issue is to repay a part of a subsidiary's loans to the extent of Rs 37.5 crore.

In the midst of the meltdown, developers had opted for orthodox measures like selling land banks and residential stocks at a huge discount to peak prices. However, of late, private placements of equity are becoming more popular. Jones Lang LaSalle Meghraj's Agarwal was instrumental in facilitating over $500 million worth of private investments in the real estate sector in 2009. "We have already exceeded those numbers in the current year," he says and expects to cross $1 billion this year. While 90 per cent of these funds come through private equity, the balance comes from high net worth investors.

The IPO dawn, however, is still some time away. "Large amounts of debt and land-banking are still pulling real estate companies down," says Ramesh Jogani, Managing Director & CEO, INDIAREIT Fund Advisors, investment advisors overseeing a corpus of $450 million of private equity funds. "Till the time rationalisation does not happen on the above counts, the partial recovery is unlikely to translate into a full-blown one, and equity investors will continue to remain cautious," Jogani adds.

Sun-Apollo's Kalothia sums it up best when he says: "The storm is over but the wreckage is still out there." ⊙

Realty Stocks: All Fall Down



GRAPHICS BY KULDEEP

It's Dull at the Office

The commercial real estate market is in the doldrums, thanks to a huge supply overhang.

RAJIV BHUVA

There's nothing commercial about it these days. If you think demand for residential property is sombre, the market for commercial (and retail) spaces is in the doldrums. There is no dearth of new projects, but they are finding few takers. And that has got developers like Mayur Shah, 48, Managing Director of the Mumbai-based Marathon Group, in a blue funk.

"Historically, commercial properties have fetched 1.25-1.50 times higher prices than residential," says Shah. But it's a different story in Lower Parel in central Mumbai at Shah's premium commercial project, Marathon NextGen Innova. Prices here range between Rs 18,000 and Rs 22,000 per sq. ft. Shah points out that residential prices in this area are higher, in the Rs 30,000-35,000 per sq. ft bracket. Roughly, 30 per cent of Marathon's projects are commercial.

The grim scenario is not restricted to the country's financial capital. Elsewhere, too, in key commercial real estate markets, lease rentals are witnessing little appreciation (lease rentals make up for 95 per cent of the commercial and retail segment, with just five per cent coming from outright sales). Whilst rentals are flat in the National Capital Region and Mumbai, they've inched up in some other metros, but at a slower rate than in the residential market.

Supply, meantime, shows no signs of letting up. According to Knight Frank, a Mumbai-headquartered real

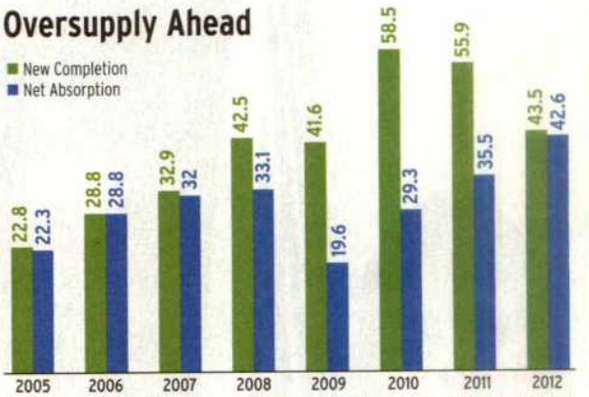
Global Business Park, Gurgaon

estate consultancy, by the end of 2011, 183.1 million sq. ft of Grade A office space will enter the seven major cities in India. Demand for such property, however, is estimated to lag at 146.5 million sq. ft. "There is an oversupply in all major markets," says Prakrut Mehta, National Director, Office and Industrial Agency, Knight Frank India.

Another study, by Jones Lang LaSalle Meghraj, a real estate services firm, reveals that demand has lagged supply in 2008 and 2009, and that trend is expected to continue in the current year, as well as the next (see *Oversupply Ahead*). In 2009, absorption of new projects was roughly half of total supply in the market, and that figure isn't going to change much in 2010.

"The potential supply is huge, which is putting strain on prices and rentals," says Prakash Kalothia, CEO & MD, Sun-Apollo Real Estate Advisors, a real estate-focussed private equity fund based in Mumbai. Kalothia is of the opinion that the information technology (IT) story in India was oversold. Commercial inventory built up over 2006-2008 for the IT sector is in the range of 30,000-35,000 sq. ft, although current demand for properties is for under 20,000 sq. ft. "It will take time for this supply to get exhausted," says Kalothia. The growth rates predicted for

Oversupply Ahead



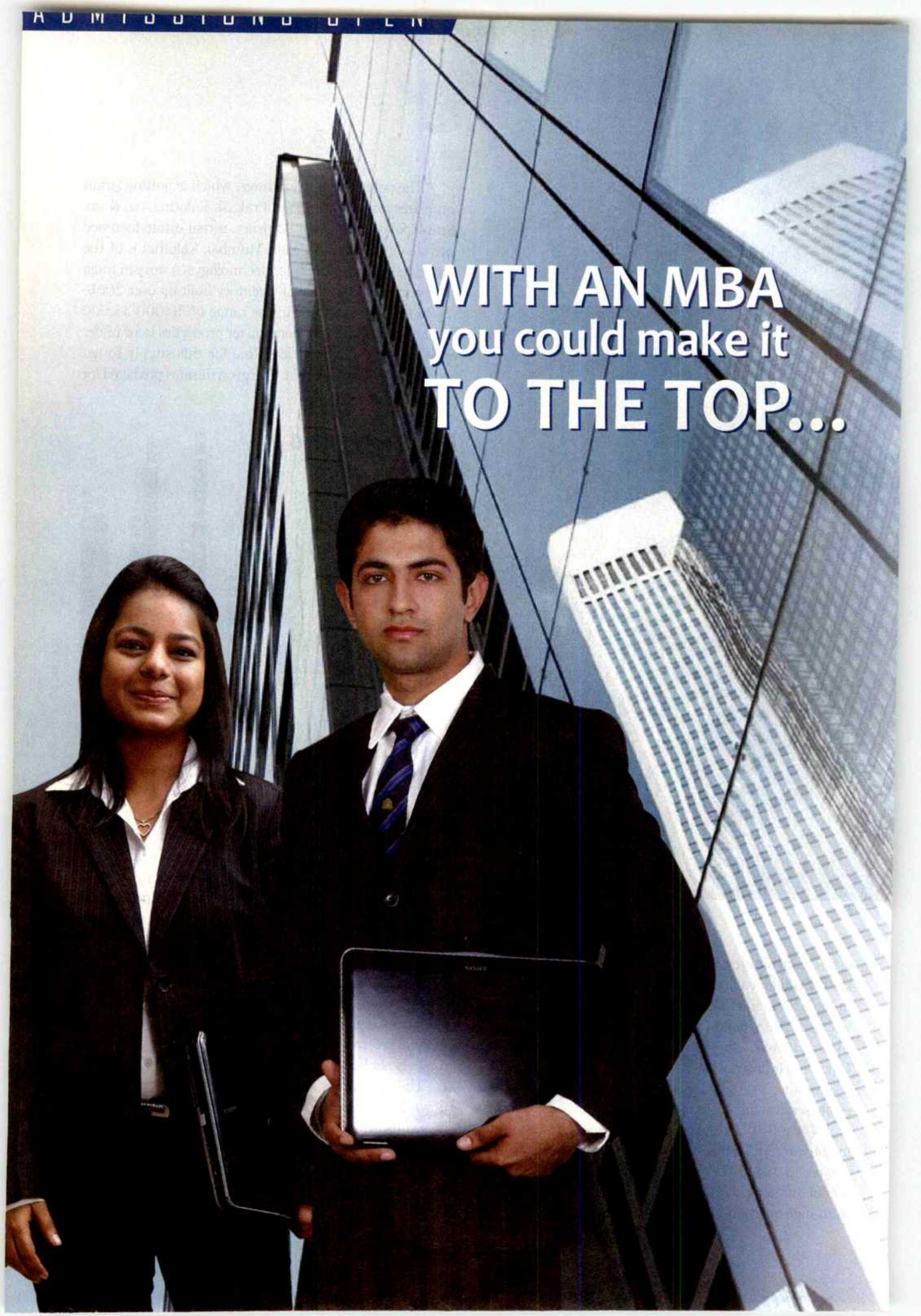
Figures in million sq. ft. Source: Jones Lang LaSalle Meghraj

KULDEEP

the IT industry have tapered down and therefore the supply that was created based on those predictions has led to a massive overhang.

Alarmed by this, some developers have already shifted into go-slow mode. Nayan Shah, President for Operations at the Neptune Group, points out that no commercial project has kicked off in Mumbai in the last one year. He is of the view that this may create a reverse problem in the medium term — that of undersupply — as it takes three years for a commercial project to be completed. "Two years hence, no fresh project will be available for possession," says Shah. He may have a point. The Jones Lang LaSalle study (see *Oversupply Ahead*) expects demand-supply to even out by 2012. That many commercial projects are being converted into residential ones may also help demand catch up with supply.

The good news for developers is that prices can't go down from here. "The only way is up, although it won't be a substantial rise," says Shah of Neptune. He expects pricing power to return in two-three years, "but that's only if demand picks up now". For those looking for a good deal on commercial space, there may be no better time than now. ⊙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Low Cost, Big Dreams

It may not have the glamour of mobile phones or airlines but no-frills housing is beginning to get off the blocks and promises to be a big, big business. RAJIV BHUVA and MANU KAUSHIK

It's a Sunday afternoon and it's raining heavily in Mumbai. That has not deterred Dilip Gaikwad, 46, from taking a 55-minute train journey to Ambivali, nearly 60 km north-east from the city. Gaikwad, a factory supervisor for 12 years with a private outfit in Mumbai, is chasing a dream. He is house-hunting. And that's what has brought him to Ambivali, to the sales office of Neptune Swarajya, a low-cost housing project launched in March 2009.

Where Gaikwad currently puts up is a 250-sq. ft. room in Bhandup, which he shares with his brother's family — all of 10 people living under one tiny roof.

Is he comfortable with doub his commute time to work e day? "Circumstances push us c says Gaikwad, who knows the riphery of Mumbai is the closes can afford a home in the port cit Neptune Group's office, Gaik

WHAT MAKES LOW COST HOUSING HOT...

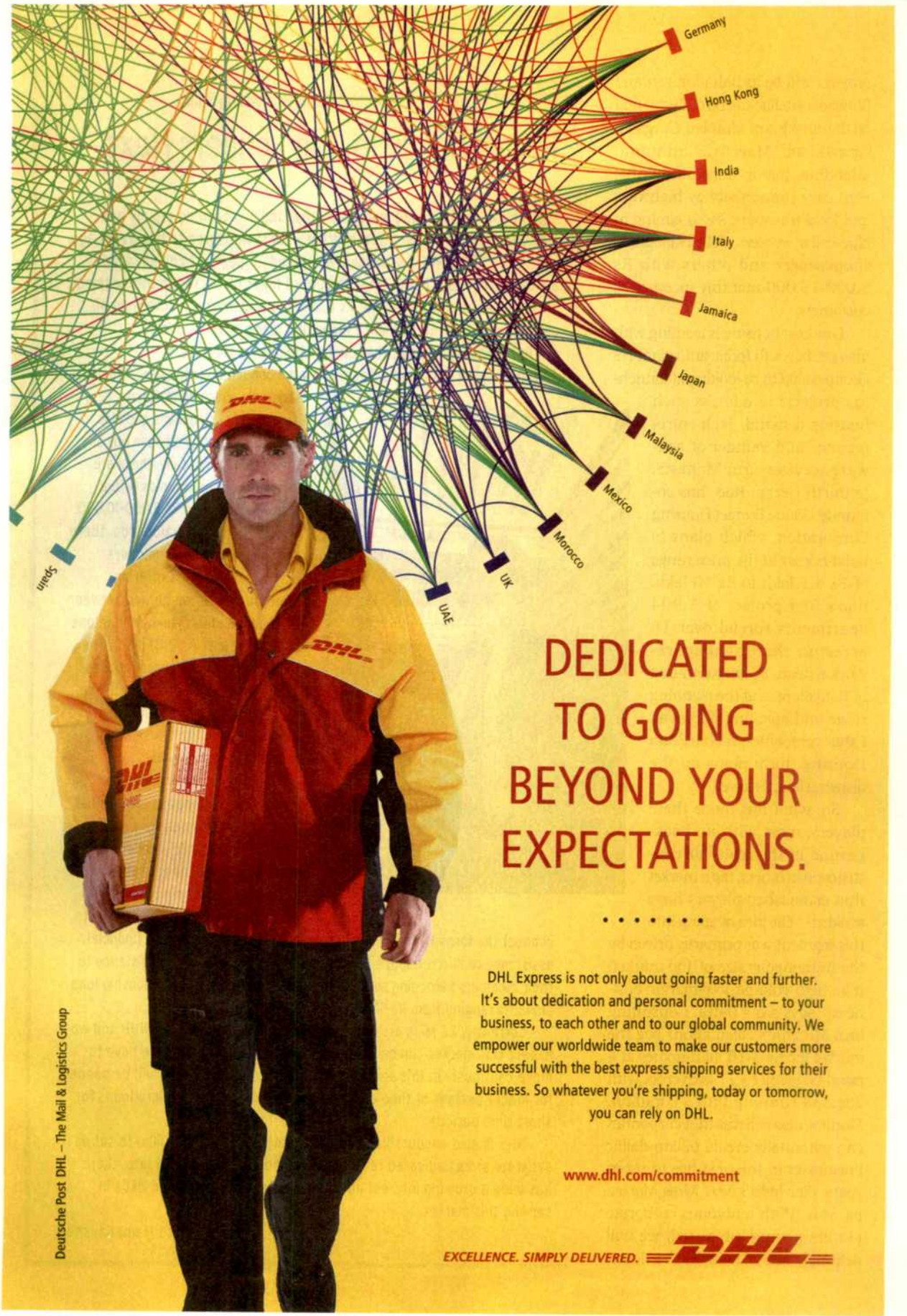
- Demand for 21 million homes, each under Rs 7 lakh.
- Opportunity to build a business of scale by focussing on production line delivery.

... AND WHAT COULD TRIP IT UP

- Inadequate financing to low income earners.
- Failing to keep eye on costs, execution, quality.

Rs 2.81 lakh). (See *Microfinance In, Big Lenders Next.*)

From Bhiwadi to Bangalore, Mumbai to Meerut, a whole new breed of developers is getting into the space to cash in on the opportunity (see *The Thrifty Homes Sprawl.*) Take gest thing after the telecom sector," says Ashish Singh, Director, Spice Homes, and brother of Ajay Singh, who in June sold his promoter stake in low cost airline SpiceJet to Chennai-based media billionaire Kalanithi Maran. Urbanisation will only in- The company has earmarked Rs 500 crore to build 25,000 micro-housing units across 15 cities in the next 24 months. "The work on these projects will begin in March next year and will be ready by June 2012," says Sunil Batta, President, Real Estate. The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projects will be in Bahadurgarh and Bhiwadi (satellite towns of Delhi) and on the outskirts of Mumbai, Gurgaon, Ghaziabad, Meerut, Ludhiana, Jalandhar, Jaipur, Surat and Pune, with easy connectivity by highways and local transport. SAS is aiming at blue-collar workers, skilled labourers, shopkeepers and others with Rs 8,000-15,000 monthly incomes as customers.

Low cost housing is teeming with interest. In south India, auto giant TVS Group is said to be looking at launching projects to address such housing demand. Tech entrepreneur and founder of software services firm MphasiS, Jaithirth (Jerry) Rao, has co-founded Value Budget Housing Corporation, which plans to build homes in the price range of Rs 4.5 lakh to Rs 10 lakh. Rao's first project of 1,904 apartments spread over 16 acres on the Chandapura-Anekal Road, 28 km south-east of Bangalore, is at the planning stage and awaiting approval. Other companies, such as Tata Housing, have plans on the drawing board as well.

So, what has made these players, most with no background in the realty or construction business, tap a market that established players have avoided? "The idea of going into this segment was primarily driven by the humongous size of the market. It's a high-volume, low-margin business," says SAS's Batta. Consulting firm Monitor's calculations peg the market for Rs 3-10 lakh homes at a mind-boggling Rs 11 lakh crore with demand running into 21 million. Monitor also believes that corporates can potentially create billion-dollar businesses in the next five to seven years. (See *India's Next Mega Market*, pg 54). "With ambitious corporate players getting interested, we will definitely see at least half a dozen

R.V. VERMA Executive Director/ National Housing Bank

Microfinance in, Big Lenders Next

The low cost housing market in urban India is growing rapidly and looks dramatically different from what it was three to four years ago. Since 2007, NHB has witnessed around 20 per cent compounded annual growth rate in the total amount of loans disbursed to this segment. Last year alone, out of around Rs 8,000 crore disbursed, more than 40 per cent was used to refinance individual loans up to Rs 5 lakh.

But that's not enough. The country still faces a shortage of 24.7- million low cost homes. There is a large population in the lower-income segments which doesn't have easy access to housing loans and also can't afford to buy a house out of their savings. Typically, these are individuals or households with a monthly income of Rs 5,000-10,000.

SHEKHAR GHOSH

On the construction side, there are today over 25 developers across seven states offering good-quality urban homes between Rs 3 lakh and Rs 7 lakh (and in one case, as low as Rs 2.81 lakh). The loan component for such houses range from Rs 2 lakh to Rs 5 lakh. The upper limit of a loan is derived by multiplying the household monthly income by 48.

As a development finance institution, NHB has to ensure that the momentum does not break down. There should be adequate institutional mechanism and products, which help the market reach this segment. With a view to connect the formal and informal sectors, NHB is also extending financial assistance to micro-finance institutions (MFIs) for providing assistance to their members belonging to the informal sector and requiring housing loan amounts ranging from Rs 50,000 to Rs 1.5 lakh.

Currently, 22 MFIs are being provided such support from NHB and we expect this market can be significantly upscaled. However, we have to move cautiously in this segment since higher loan amounts will be needed for longer periods of time as against their core model of micro loans for short time periods.

NHB is also encouraging housing finance companies (HFCs) to set up separate arms dedicated to the low cost housing market. Of late, there has been a growing interest among promoters of specialized HFCs in serving this market.

(As told to Manu Kaushik)

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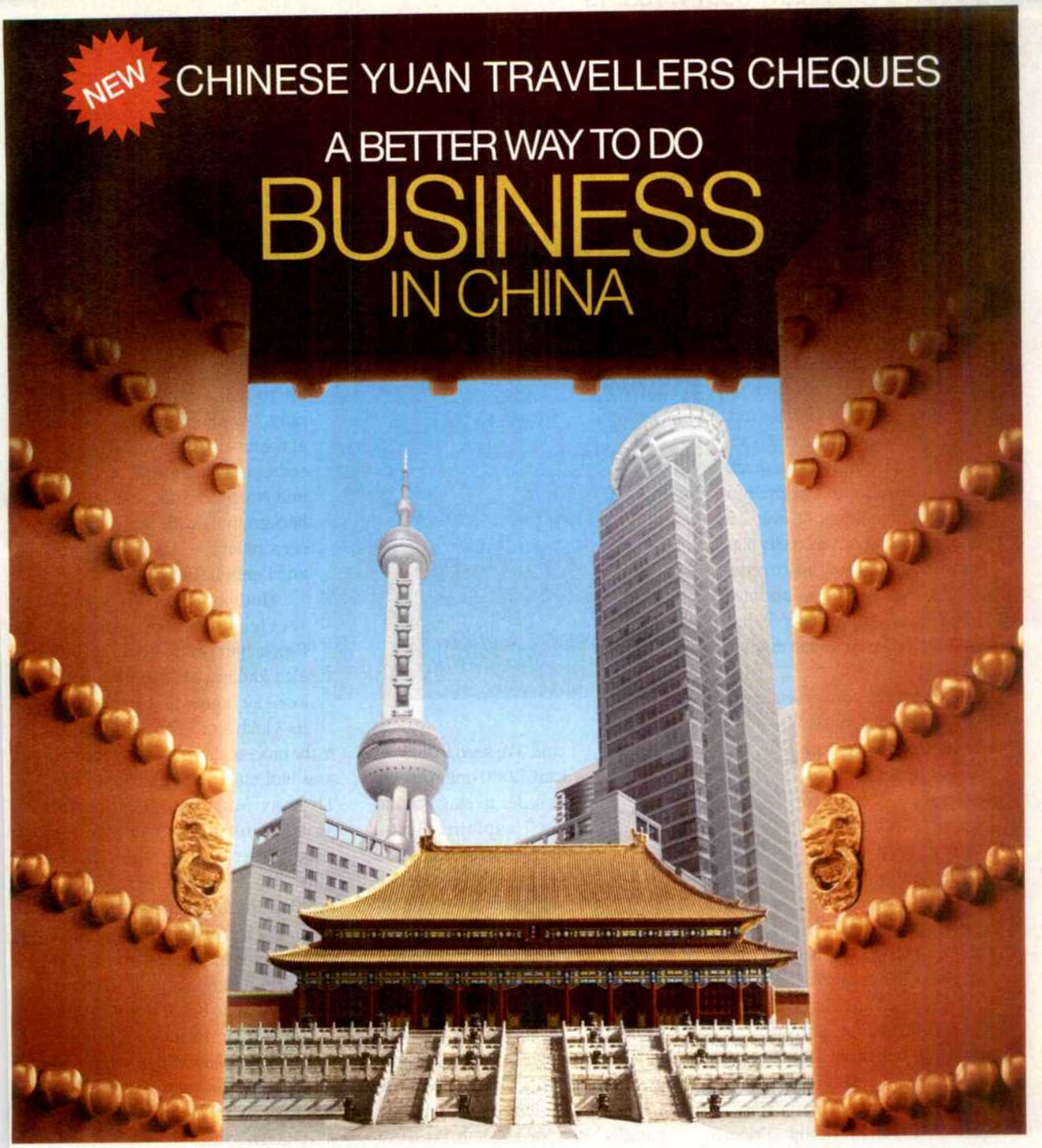

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billion-dollar companies in the next five to seven years," predicts Ashish Karamchandani, Partner, Monitor Group.

The entrants are not in for a cake walk, though. For one, margins are low, which perhaps explains why most of the established realty players are staying away. SAS expects to squeeze a margin of 15 per cent from micro-housing, compared with 25 per cent from its other projects. Spice Homes, too, anticipates low margins of 10-15 per cent but is counting on quick sales and turnaround to give it a return on investment of over 25 per cent. In comparison, realty biggies who build and sell apartments for Rs 40 lakh and upward have project margins upwards of 50 per cent — but sales cycles can drag on for years.

RACHIT GOSWAMI

Two, to keep costs down, most low cost housing projects are located away from the city centre and that comes with its share of issues. Mumbai-based real estate major Marathon Group has its affordable housing project at Badlapur, 68 km north-east of Mumbai. "The construction cost does not vary across locations, but land prices may have a big difference," says Mayur Shah, Managing Director, Marathon Group. "Prices in the periphery could be lower by 10 times compared to city locations." And that's a reality not just in Mumbai. "It's impossible to get cheaper land within (Bangalore) city," says Pramod Kumar, Director of Operations at Value Budget Housing.

Then, there are the bureaucratic and infrastructure hassles. "In Haryana, Punjab and Rajasthan, the government doesn't allow realtors to build more than 600 units per acre of land. We need to build at least 1,000 units per acre in order to stay profitable," explains Batta. Marathon's Shah also points out to the lack of infrastructure in the peripheries. At Badlapur, for the 660 flats project, Shah had to get water pipelines laid from a 2.5 km distance. "There is no single window clearance and approval processes are long drawn and take months," says Nayan Shah, President Operations, Neptune Group

RAJNISH DHALL
Director, Micro Housing Finance Corporation

"It's a matter of time before somebody gets the micro-housing financing model right"

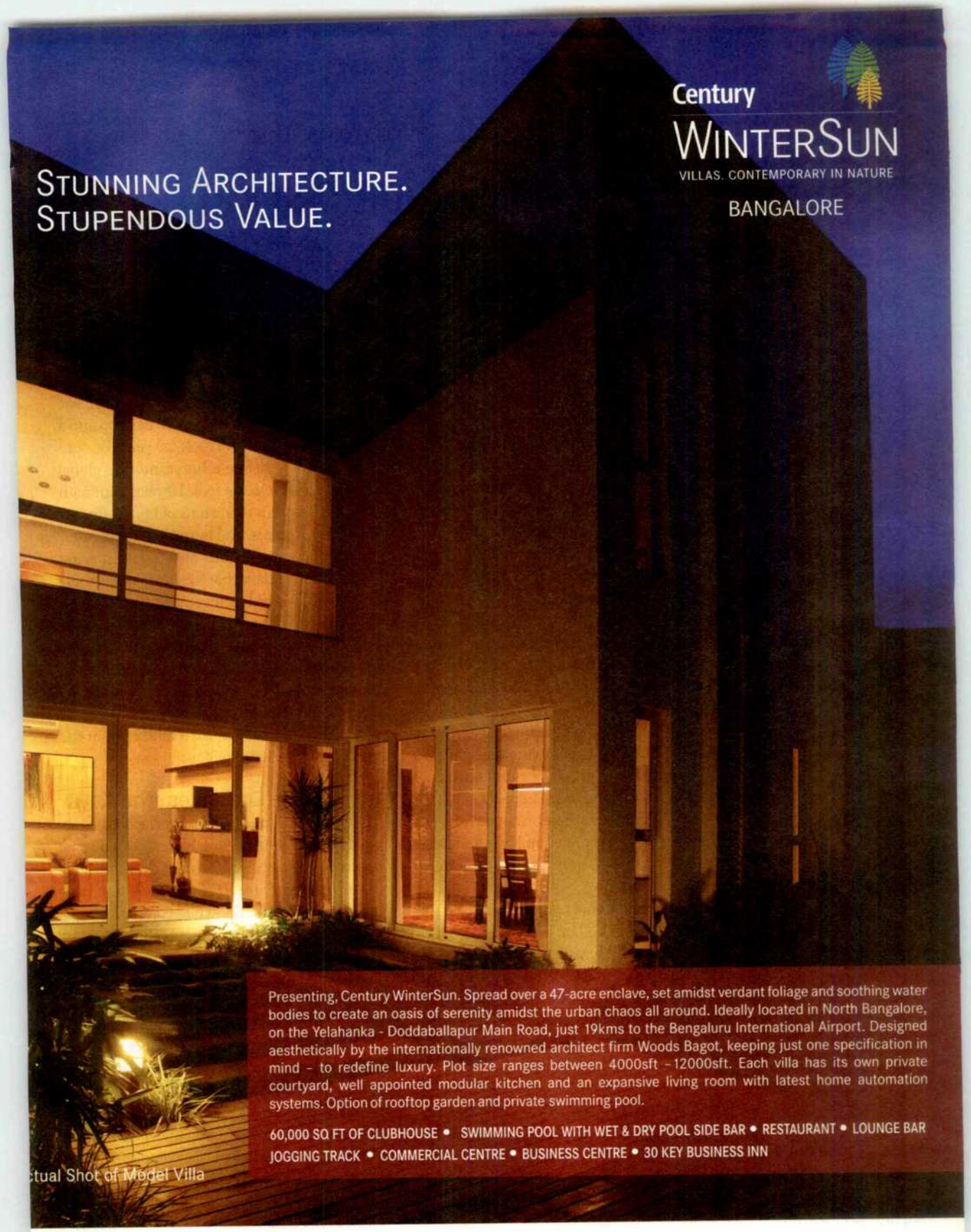
But the biggest hurdle is financing. Even if all these houses get built and customers line up to book them, they would still need to be financed. And this is probably where the best news is. There is an emerging crop of financiers willing to process the home loan application of individuals from the informal sector or those with low incomes — a big change from as recently as two years ago.

Mumbai's Micro Housing Finance Corporation, for instance, finances home loans for vegetable vendors, cab drivers and petty traders. The company has disbursed 200 loans so far, and has a year-end target of 1,500 disbursals. "The housing finance model in India is a great success. So is the microfinance industry. It's a matter of time before somebody gets the micro-housing financing model right," says Rajnish Dhall, Director at the finance company. Dhall and colleagues Madhusudhan Menon and Nachiket Shelgikar all have backgrounds with large banking corporations — American Express and Deutsche Bank.

Muthoot Fincorp, a financial services arm of Muthoot Pappachan Group from Kerala, is also looking at financing home loans for houses that cost between Rs 3 lakh and Rs 15 lakh. "We are in the process of getting NHB's approval and will start lending soon," says Thomas Muthoot, its Director, Strategic Initiatives. "Our plan is to disburse over Rs 500 crore in the first three years of operation." He adds that he is looking for partners with expertise in the business. The SAS Group is also planning to launch a micro-mortgage firm and already has a licence from NHB. Value Based Housing Corp. is also looking to set up a housing finance company which would address the borrowing needs of eligible customers who fall below the bank's screening norms.

At Ambivali, meanwhile, some 2,850 flats have been pre-sold at the Neptune's Swarajya project — over 70 per cent of them financed by the likes of Dewan Housing Finance and surprise, surprise, Housing Development Finance Corp., the country's biggest house financier. The next big thing, clichéd as it sounds, is starting to roll in the Indian business landscape. ⊙

ADDITIONAL REPORTING BY N. MADHAVAN



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THINKING AHEAD

By ASHISH KARAMCHANDANI/ Partner/ Monitor Group

India's Next Mega Market

You don't need to know anything about real estate to see that it is big business — perhaps the biggest business there is. But it was only recently that India Inc. realised that housing for people with low income is a large, untapped, and very profitable market. Do the numbers and you can see for yourself: the market for houses costing Rs 3-10 lakh is worth some Rs 11 lakh crore with an unserved demand of 21 million households (each, on an average, costing Rs 5.25 lakh). This is bigger than the traditional higher-end housing market (houses costing Rs 25 lakh and above) or the "affordable housing" market (Rs 10 to 25 lakh).

Add to that the potential to transform the quality of life of 100 million Indians, and you are talking about a huge opportunity to create both commercial and social impact.

That impact is best realised by several entrepreneurs and corporates building a successful sustainable business. The challenges, though, are many:

- This is not traditional real estate, but a high-volume business and hence requires the strategic vision and operational excellence typically exhibited by manufacturing companies.
- Little is known about the characteristics of potential low income customers: ignorance about their behaviour patterns and choices has left them classified as poor risk and unimportant customer segments.
- Housing and real estate in India is still highly "government-interactive". Acquiring land, getting project approvals and "managing" local authorities are all integral parts of a complicated process. And most corporates and individuals who have built businesses independent of government involvement or favour find it difficult to handle this process.

No one ever said that developing a new Rs 11 lakh crore market was going t
it took microfinance 30 years to dev
robust sector, software took 20 yea
stant plodding before it burst into
limelight, and telecom took 10 years
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With a market this big, it is clear
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Innovation, Ecosystem the

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ability to design and deliver a quality p
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start with existing business techni
practices, the key is innovation in desi
tion, operations, marketing and finan

At the end of the day, low income
is inherently a different business mo
"land-as-inventory" mindset, rather
traditional "land-as-an-asset" model
the developer buys a piece of land, a
some housing, that, in turn, raises th
the remaining land. The key then is t
phases and sell at rising price poin
price of the land appreciates — in oth
construction is just a "side busines
value to the land.

The low income housing mode
other hand, encourages developers
of land as inventory — buy well-cc

While margins of 20-30 per cent in low income housing may not seem attractive to traditional real estate developers, they make inherent business sense for corporates used to tighter margins.

land parcels with social infrastructure such as schools and markets there as required, construct houses on them and sell them off as soon as possible. Here the value is derived from developing a quality product and delivering volumes. This model is aimed at managing the end price for a customer with limited affordability and unrecorded credit history. And to ensure continuous affordability, the key will be to innovate to manage prices — just like the consumer durables industry has done for decades.

The ecosystem is another key — without it, low income housing will be just an idea. Along with the supply of housing, it is imperative that there are housing finance companies that lend to this customer segment. That there is access to construction technologies to help build homes faster and cheaper, and there are funders and sponsors who can provide patient capital for consumer education, thinking around maintenance, rental housing and prevention of vertical slums. As these apparently discrete elements integrate, they will create the foundation for low income housing to grow.

The business of low-income housing has a 20-30 per cent margin and a 35-50 per cent IRR (internal rate of return) on a conservative estimate. While these margins may not seem attractive to traditional high-end real estate developers, they make inherent business sense for corporates who are used to tighter margins and tough customer markets. And the sheer volume-driven nature of the business allows a business house to build a profitable billion-dollar business in five to seven years.

Social Profits

However, the true impact of this sector is not purely economic; it has the rare distinction of straddling two worlds — social and business. Millions of families earning between Rs 8,000 and 25,000 a month require houses — and houses that will give them access to a quality of life they can only dream of now, allowing their children to grow up in good, safe neighbourhoods. If Indian companies can deliver these volumes, they will help transform the lives of millions and create a more equitable society, and change the way the world thinks about the power of business to deliver true double bottomline benefits at scale.

And if transforming the lives of tens of millions of individuals is not enough, it also has enormous implications for the economy. The construction industry is the largest employer in the country and the low income housing market is larger and more labour intensive than conventional housing. And with these jobs will come the multiplier effect. This market will also have a systemic impact on urban development by providing an alternative to slums and poorly planned low income neighbourhoods. It will also complement the work being done by the government (without any need for subsidy), and provide a quality and cost benchmark for slum rehabilitation.

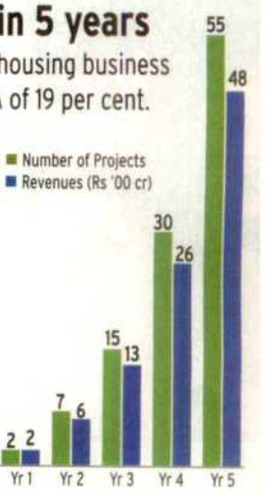
Thanks to the promise of this commercial and social impact, it is clear that the low income housing industry is scaling up in India and the rest of the ecosystem will soon grow alongside it. As big players such as the Tatas build their presence in the space, and new entrants with promise of scale — such as Jerry Rao's Value Budget Housing Company and Ashish Singh's Spice Homes — begin operations, it's only a matter of time before India sees its first few billion-dollar companies emerge in this market. ⊙

Building a $1-billion business in 5 years

The overall revenue potential for the low cost housing business is around Rs 4,800 crore in Year 5 at an EBITDA of 19 per cent.

Overall Realisation from Project	Year 3	Year 5
Revenue from different sources		
Residential	1,178	4,320
Commercial	124	255
Overall Realisation from Project	1,302	4,774
Costs from different sources		
Cost of Land	196	719
Construction Cost	784	2,875
Sales and Marketing	33	119
Operating Costs	50	143
Overall Cost of Project	1,063	3,856
EBITDA	239	918

Figures in Rs crore



Key Points and Assumptions

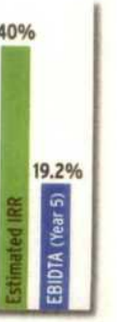
A large scale player can grow exponentially initially to about 55 projects by Year 5 (assuming each project of 10 acre size)

We have assumed the following to remain constant or at least negate each other over a 10 year business duration

- Land cost remains at Rs 200
- Construction cost remains at Rs 800
- Selling price remains at the average rate of Rs 1,265 per sq. ft

Personnel and admin costs have been benchmarked to a couple of listed real estate companies with a similar level of revenue

Source: Monitor



By NISHANT LALWANI / Senior Manager/ Monitor

Lending to People, Not Paper

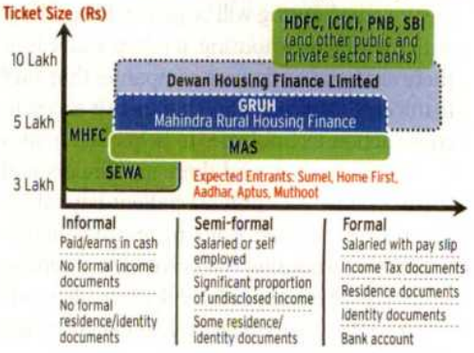
Ramesh wants to buy a house. As an autorickshaw driver in Ahmedabad, he earns less than Rs 9,000 a month, but with a mortgage could afford a home in DBS' new development on the outskirts of the city, where prices start at Rs 3.2 lakh per flat. However, he has no proof of his income or even his address. He does have a bank account but barely uses it. He needs a loan of Rs 2.5 lakh and has savings of Rs 70,000.

Without salary slips or income tax returns, Ramesh would never get a loan from conventional lenders. To quote the CMD of a large Indian bank, "my staff can only interact with paper, not people." However, new companies such as Micro Housing Finance Company (MHFC) and MAS Financial Services, and longer term pioneers such as Dewan Housing Finance and Gruh Finance are among the few housing finance companies (HFCs) who serve home financing demand from low income, informal sector customers.

Ramesh has found his way to MHFC in Ahmedabad, where Ashish Kothari is the loan officer who evaluates his application. The first step is to "storyboard" Ramesh's life. Initial questions are about his family, living situation, his income, previous loans and assets. While the output of this process is always the same — understanding the customer's ability to meet the requisite monthly repayments on a loan — the process itself must be tailored to each applicant. Kothari has interviewed many autorickshaw drivers and asks all the right questions: How long are your rides on average? Do you work at night? Do you own your autorickshaw or do you rent it?

More important than gathering this customer information is verifying it. Kothari will spend a full day ensuring that the data the autorickshaw driver gave is correct. He will visit his potential customer's house, speak to his family and check the condition of his autorickshaw. He will talk to his fellow auto-wallahs, to understand whether the average income of those drivers is in the same ballpark. He will call up the three references furnished, including the garage where the autorickshaw is repaired to check if maintenance payments are made on time.

Representative HFC Market Map–India, 2010



These are just some of the elements of MHFC's verification process. The risk associated with a customer does not decrease in the process; it is simply better understood. Low income, informal sector customers are often considered "high risk" by conventional HFCs, but in reality they are often simply "unknown risk". However, low income customers can sometimes carry greater risk than their middle and high-income counterparts. For example, a customer with very little savings is more likely to default on mortgage payments in case of a medical emergency. But the loan is secured, and any extra transaction cost and credit risk can be accounted for through appropriate pricing. That is why MHFC (and the other companies operating in this segment) often charge between 12 and14 per cent interest to their customers — rates that are 2-4 per cent higher than conventional HFCs. But it seems these prices still appeal to their customers. "I am so happy that I am getting a loan," says Ramesh. "I tried with my bank first, but they wouldn't even look at my application." ⊙

New companies such as MHFC and MAS Financial Services, and longer term pioneers such as Dewan Housing Finance and Gruh Finance, are among the few housing finance firms who serve home financing demand from low income, informal sector customers.

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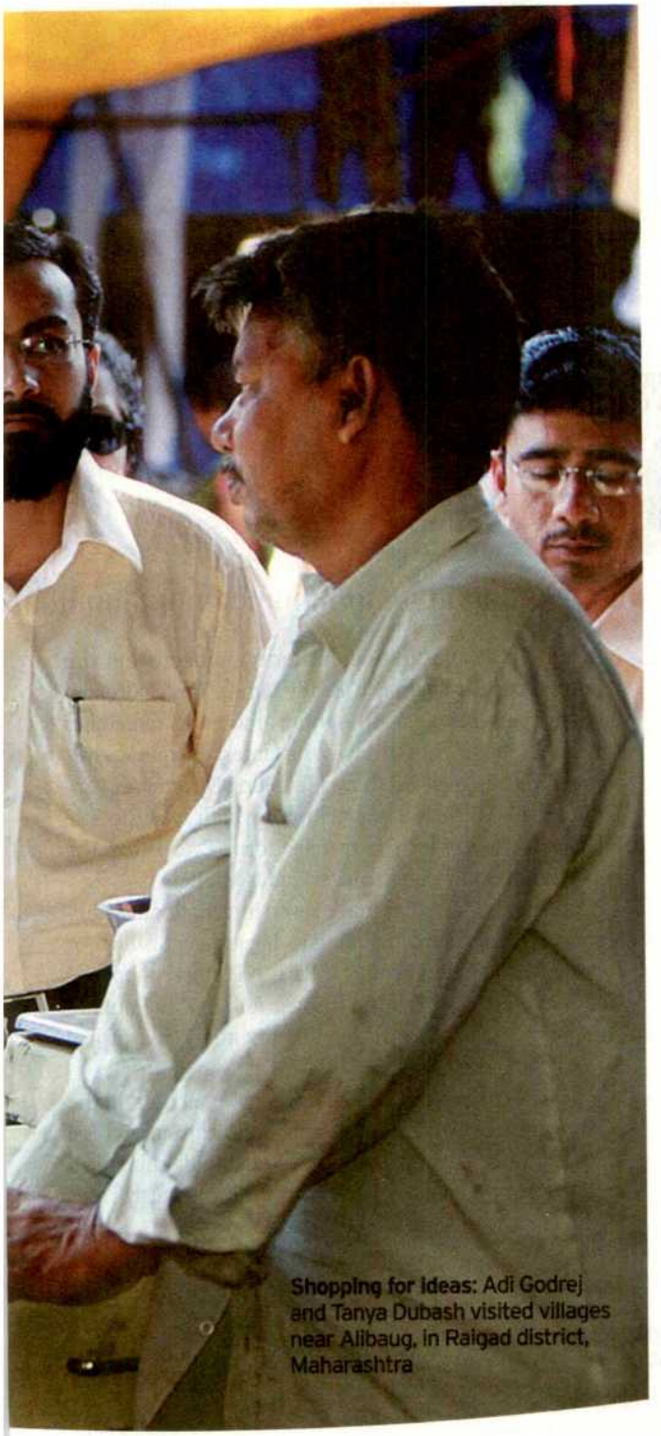

Shopping for ideas: Adi Godrej and Tanya Dubash visited villages near Alibaug, in Raigad district, Maharashtra

They say they touch more consumers than any other Indian company – and it's not just with soaps, locks and cupboards. T.V. MAHALINGAM

Last November, the senior management and members of the promoter family of the Rs 11,800-crore Godrej group left the air-conditioned climes of their offices to hit the potholed roads that lead to rural India. Group Chairman Adi Godrej and daughter Tanya Dubash, Group Executive Director and President of Marketing, headed to the villages in and around Alibaug, a popular holiday destination 120 km to the south of Mumbai. Nisa Godrej, Adi's second daughter, who heads human resources and innovation at the group, headed north of the Vindhyas to villages around Chandigarh. And A. Mahendran, Managing Director of the fast-moving consumer goods (FMCG) company, Godrej Consumer Products Ltd (GCPL), headed to rural Tamil Nadu. A few more head honchos ventured into the Hindi heartlands of Uttar Pradesh.

The exercise was rather plainly called the Godrej Rural Immersion Programme, but the idea behind the sojourn itself was fascinating. It was a sort of a mini-rediscovery of India — a tryst with its Indian customers. Not that the Godrej group needs to be reminded of who its customers are or where they lived — or how many of them use its soaps, hair dyes, locks, furniture, consumer durables and many more products.

After all, as Group Chairman Adi Godrej says, the Godrej group has more customers than any other Indian company (excluding multinational Hindustan Unilever). "In our estimate, 470 million Indians use one of our products each day," says Adi Godrej, not without a hint of pride.

Now, 470 million people is a humongous number — it's almost the size of the population of the European Union, and 40 per cent of the world's second-most populous nation. "We also believe that we are among the top five companies in the developing world, in the number of customers served.The only company we know that has more consumers is China Mobile," says Godrej.

Godrej attributes the phenomenal reach to the fact that the group has its presence in both FMCG and consumer durables. LG is the other company with a similar business mix but its FMCG bit is largely restricted to Korea. In fact, the Godrej model is pretty much a unique model — other than FMCG and consumer durables, it also has other consumer-facing ventures that range from real estate to meat processing and confectionery. Group holding company Godrej & Boyce has within it real estate projects, domestic appliances and furniture. "Two-thirds of our business are consumer-facing," says Jamshyd Godrej, Chairman, Godrej & Boyce.

HERE, THERE, EVERYWHERE

How Godrej products touch millions every day.

SEGMENT: Consumer Goods

BUSINESS: Godrej Consumer Products

- Sales of Rs 2,041 crore last year, up 47%
- Second-largest toilet soap maker, with brands like Cinthol and Godrej No. 1
- A one-third market share in hair colourants
- Most aggressive international expansion, with half a dozen acquisitions in recent years

SEGMENT: Food Processing

BUSINESS: Godrej Agrovet

- Sales of Rs 1,142 crore – the largest animal feed company in the country
- Largest oil palm plantation cultivator with 37,000 hectares
- A growing poultry and meat business; has a JV with Tyson Foods of the US for meat processing
- Plans to get into drip irrigation, hybrid seeds

SEGMENT: Real Estate

BUSINESS: Godrej Properties

- Among the fastest growing companies in the Godrej group, revenues grew by 53.2% to Rs 456 crore last year
- Township in Ahmedabad to have over 1 lakh people on completion, almost a decade later
- Planning townships in Pune and Kalyan in current year

What also makes the Godrej conglomerate like no other is its almost esoteric range of businesses, many of them not consumer-facing (at least not directly). The group sells fatty acids to tyre manufacturers, animal feed to farmers, and premium wine to the upwardly mobile in Mumbai and Delhi. The group's customers range from five-year-olds buying confectionery (Nutrine) to vain, ageing men (many who get their hair dyed at home) to housewives buying a bar of soap. IT and ITeS companies like WNS, TCS and Accenture are also the group's customers as the Godrejs rent out their sprawling campus in the Mumbai suburb of Vikhroli (and Godrej & Boyce earns Rs 100 crore a year for those efforts!). The Government of India, too, is a customer, procuring heavy-duty equipment for its hi-tech programmes. In fact, when India's mission to the moon, Chandrayaan, blasted off from Sriharikota, it did so powered by rocket engines made by Godrej, says Jamshyd. Finally, men stepping out for a haircut should know that some 50,000 barbers across the country are likely to recommend a Godrej dye as they snip away at your receding foliage.

The Godrejs' tour to the hinterlands is just one indicator of the renewed focus on the consumer. Joint ventures (with Hershey's in confectionery and beverages, and with Tyson in processed foods), acquisitions (mostly in FMCG) and divestments (of a pest control service and a rural retailing chain) are all a part of that growth recipe.

Hungry for Acquisitions

Back in June 2006, Adi Godrej signed a cheque for Rs 250 crore to acquire Nutrine, India's largest confectionery maker from the Andhra Pradesh-based B.V. Reddy family. Yes, Godrej did actually sign a cheque for the entire amount. "I remember Mr Godrej saying that this was the largest cheque he ever signed," recalls Jacob Mathew, Managing Director and Co-Founder, of Mape Advisory Group, which was the sole advisor to Godrej for the transaction. "Ever since, the cheques have only gotten bigger," adds Mathew.

Since 2005, GCPL has made seven international acquisitions. Four of them, including its biggest acquisition, of Indonesia's Megasari group for Rs 1,200 crore, happened this calendar year. It's the hunger for such buyouts in emerging markets that has got equity analysts on Dalal Street licking their chops.

"If there's one company that has got it all right in the consumer space, it's GCPL. Its international acquisitions have changed the scale it operates in drastically. It's catapulted itself to the top 3 consumer companies rather smartly," says Nikhil Vora, Managing Director, IDFC Securities.

Back in 2008, the group set itself a target of tripling its growth in the FMCG business in three-four years. "There was a realisation that if we had to make that kind of growth happen, it would have to be inorganic and we would have to look outside India," explains Mahendran, the MD of GCPL. And then began the slew of acquisitions — mostly in Africa, followed by Latin America and Asia — which saw the company's stock price more than double since July 2008.

Analysts expect GCPL's interna-

STRENGTHS

- A 113-year-old brand that is trusted and has great brand value.
- A well-diversified business, with a presence in businesses that are cyclical (properties), stable (FMCG), rural (Agrovet) and urban (retailing).
- Owns close to 3,000 acres in Vikhroli, a developing suburb in Mumbai – though a little under half is mangrove-covered.
- Increasing footprint in global emerging markets like Africa, Latin America and Southeast Asia.

SEGMENT: Furniture

BUSINESS: Godrej Interio

- Revenues of about Rs 1,200 crore
- Close to a fourth of sales comes from new age products
- Over 50 exclusive showrooms in 18 cities through over 800 dealers

SEGMENT: Consumer Durables

BUSINESS: Godrej Appliances

- Revenues of over Rs 1,500 crore
- Sells fridges, washing machines, air conditioners
- Test marketing TVs.
- Test marketing ChotuKool, a low cost fridge. Has the potential to sell a million units

SEGMENT: Organised Retail

BUSINESS: Nature's Basket

- A niche, high-value gourmet retailing business
- 10 premium stores in Mumbai and Delhi
- Sales at Rs 23,509 per sq. ft., thrice the industry average
- Plans to expand to Bangalore

SEGMENT: Confectionery & Beverages

BUSINESS: Godrej Hershey Products

- JV with The Hershey Company
- Revenues of Rs 326 crore last year coming from brands like Hershey chocolate syrup, Nutrine, Jumpin and Sofit
- Plans to get into the lucrative chocolate segment sometime this year

Note: Godrej Interio and Godrej Appliances are divisions of holding company Godrej & Boyce

tional business to account for close to 30 per cent of revenues in the current year, up from 18 per cent a year ago. At the same time, rural markets back home will also start contributing more — to half of sales in two years against 42 per cent last year. To get there, GCPL increased its penetration to 22,000 villages from 15,000, nine months ago. The company plans to cover 50,000 villages in the next three years.

But that's just part of the reason why the Godrej management council hit the road. As Adi Godrej explains: "Over the past decade, all our research began to show a diffused image of our brand. The younger generation did not identify with the brand like the older generation.... we got reactions like 'It's my parents' brand', 'It's my grandparents' brand'." So, the group, led by Tanya Dubash, launched a rebranding exercise in 2008, the most visible part of which was a savvier logo that's uniform across all group companies. "Since the exercise began, the Godrej portfolio has gained share by growing ahead of the market across audited categories by 10 per cent," says Tanya Dubash.

Customer Hunting

But to understand how Godrej is reaching out to a new set of customers, especially in rural India, one needs to rewind back to May 2006. Jamshyd Godrej bumped into management guru and Harvard Business School Professor Clayton Christensen at Boston. The talk centred on the Disruptive Innovation framework that Christensen had outlined in his seminal book, *The Innovator's Dilemma*, in 1997.

Within a few months, Godrej & Boyce had signed up Innosight, Christensen's consulting company. Trained facilitators sat with the company's senior team for a two-day workshop to come up with 24 ideas on how disruptive innovation could be used to come up with new products. By early 2007, the senior management had chosen four ideas.

One of those ideas was to manufacture a low cost refrigerator. "As a company that made refrigerators for more than 50 years, we asked ourselves why it was that refrigerator penetration in the country was just 18 per cent?" says G. Sunderraman, Vice President, Corporate Development, Godrej & Boyce. The company found some unusual answers. "Most people in the poorer sections of society did not need a 180 litre fridge. Often, they lived in small houses where there is a space constraint," explains George Menezes, COO, Godrej Appliances, a division of Godrej & Boyce. That insight was the first step towards the creation of the ChotuKool — a squat 45 litre mini-fridge priced at just Rs 3,250. ChotuKool is currently being piloted in rural Maharashtra and Karnataka.

Menezes hopes to sell two-three lakh ChotuKools once it completes a year of going national (which should happen in a couple of months). "In three years, probably millions," says Menezes, who also lets on that Godrej Appliances is test-marketing television sets in Andhra Pradesh, Kerala, West Bengal and Maharashtra.

WEAKNESSES

- Lacks a significant presence or track record in new-age, sunrise industries like health care and information technology.
- The federal family structure has helped the group make succession planning exercises smooth in the past. However, a new generation is being ushered in and transitions have known to be sticky.
- Godrej has made a string of aggressive acquisitions; how these are assimilated will be crucial for the substantial FMCG business.

UMESH GOSWAMI

"Young People Felt It Was Their Grandparents' Brand"

Excerpts from an interview with **Adi Godrej**, Chairman, Godrej Group

On making the 113-year-old brand contemporary.
The Godrej brand is a very well known and trusted brand. However, a multi-product, multi-category brand like ours gets diffused in its image. Our research also revealed that the younger generation did not identify with the brand.... we got reactions like "It's my parents' brand", "It's my grandparents' brand". So a directional change was needed. People had been associating us with low technology products like locks and soaps. People didn't know that we have a presence in aerospace, in IT (with Geometric), that we make sophisticated equipment for the petrochemicals industry.

On exiting businesses that don't fit or don't work.
We exited our rural retail business called *Aadhar* as it has a long gestation period. Since Godrej Agrovet (the company that incubated *Aadhar*) is a private company, we didn't think it had the resources to support a long-gestation business. We came to a strategic conclusion that we should not compete with our customers, as we are big suppliers to modern retail. So when we got a good offer from Future Retail to sell 70 per cent, we went ahead.

On the group's experience with joint ventures (since the '90s it has had half a dozen foreign partners).
Very few JVs are long-term marriages. There are very few JVs that last a decade, globally. In our JV with GE (in the early '90s), for example, we didn't learn too much about their technology because their models, at that time, were too advanced for the Indian consumer. However, we learnt a lot about business processes, human resource management, and finance control.

"Two-thirds of Our Business Are Consumer-facing"

Excerpts from an interview with **Jamshyd Godrej**, Chairman, Godrej & Boyce

On what makes Godrej & Boyce tick.
The portfolio of Godrej & Boyce has consumer-facing products like appliances, furniture, and office furniture. The second limb is industrial products like aerospace, industrial equipment. The consumer-facing products is the largest part. Two-thirds of our business are consumer facing. One-third is industrial. The appliance and furniture businesses (Interio) are the largest. Each accounts for over a Rs 1,000 crore. Appliances last year was Rs 1,500 crore and Interio was Rs 1,200 crore, out of a total business of Rs 4,500 crore.

On the real estate portfolio.
We have built an IT park, which currently occupies a little over a million sq. ft. Some of our businesses, like appliances, no longer manufacture out of Vikhroli. As those factories moved out, tenants like Capgemini, WNS, TCS, moved in. We have over Rs 100 crore of rentals coming in each year. In the past 10 years, more than 25 per cent of our campus has been leased out. Currently, we are using 150 acres in manufacturing and services; and 200 acres for housing, hospitals, schools. We have about 1,500 acres of mangrove land that is donated to a foundation, and we wish to preserve this flora.

On the aerospace, nuclear programmes that Godrej & Boyce is involved with.
Godrej manufactures rocket engines for ISRO... including the Chandrayaan mission. These are long gestation projects...as much as twenty years. But these spaces (including the nuclear sector) are closed to private players. In the US, private players are allowed to set up nuclear plants or launch satellites. That's not yet allowed in India. If that were to open up, it would be a sizeable opportunity. But we are not counting on it.

On Godrej & Boyce ever going public.
I don't see that happening, simply because there is no need for it. We have no need for funds at this point and Godrej & Boyce itself generates Rs 500 crore of cash each year.

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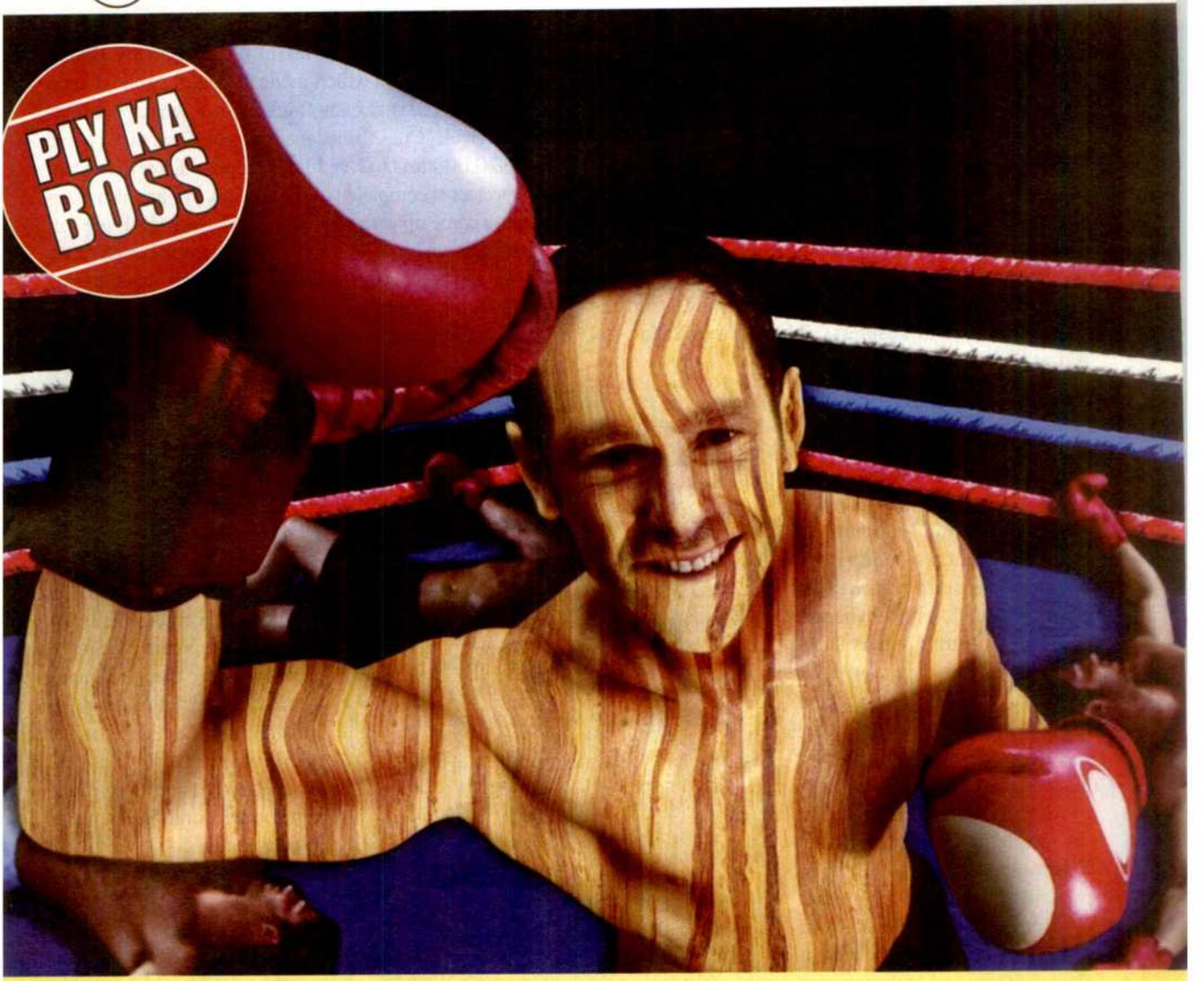

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Furniture & Farmers

Yet another outcome of the disruptive innovation sessions has been the launch of 'U & US' — a 'by appointment' design studio by Godrej Interio, a Rs 1,200-crore division of Godrej & Boyce that sells home and office furniture. "We discovered that customers saw furniture as an extension of their personality. They wanted to co-design their furniture," says Anil S. Mathur, Chief Operating Officer, Godrej Interio.

Another low-profile, low-margin, but high-volume business for the Godrej group is agri-inputs. "As long as you and I eat, we will be in business," jokes Balram Yadav, MD, Agrovet. With revenues of over Rs 1,600 crore, Agrovet is the largest animal feeds company in the country. Agrovet's also the largest crude palm oil producer in the country. "We supply animal feed to over hundred thousand farmers across the country. We work with 10,000 oil palm growers across the country and closely collaborate with 2,500 contract poultry farmers," says Yadav. With its JV with American chicken processor and marketer Tyson Foods, Godrej Agrovet is also making a play for the fast growing poultry market.

Godrej is also taking a stab at the food budget of the premium, urban, upwardly mobile Indian with Nature's Basket, a gourmet retailing business that has grown at a compounded average rate of close to 60 per cent in the past two years. With 10 stores in unmarked locations in Delhi and Mumbai, Nature's Basket is set for expansion. "Our outlet in Bandra (in suburban Mumbai) achieved cash profit in a single day. We have per sq. ft. sales of Rs 23,500 — that's three times above the industry average," says Mohit Khattar, Managing Director, Nature's Basket, adding that the store would probably never go the mass retail way. "Nature's Basket reaches out to a whole new audience and in that sense, raises the brand profile a bit," explains Tanya.

Land, Ahoy!

The real estate business too is likely to add several customers for the group. Adi Godrej calls it his "'star" business because of its rapid growth: last year, revenues grew by 53 per cent to Rs 456 crore, as approximately 1.89 million sq. ft. of area was booked. That's still a fraction of the 12.5 million sq. ft. pushed by DLF in a bad year but Godrej Properties Ltd (GPL) which made an initial public offer in January 2010, is already thinking of townships, like its bigger rival. "Our Ahmedabad project, Garden City, will have 20,000 units. Over 1 lakh people will live in it when the project is completed in 8-10 years. We are also planning to come up with townships in Kalyan and Pune this financial year," says Milind Korde, Managing Director, GPL.

Finally, there is the land that the Godrejs own that was brought by the late Pirojsha Godrej in 1943 in a public auction. Estimates of the acreage range from 3,000 to 3,500 — a little more than half of it covered by mangroves — and its value from Rs 50,000 crore to Rs 65,000 crore. "I wouldn't want to get into too many details on that but suffice it to say that it's more than half of Vikhroli," says Adi Godrej. "Most of that land is with The Pirojsha Godrej Foundation, a charitable trust, and we plan to preserve the mangroves the way they are," adds Jamshyd Godrej. Estimates of the land that can be developed range from between 350 acres and 800 acres. "Our vision is to make Vikhroli an iconic, green, commercial, residential township. We are planning a high-street shopping development. We would like to see hotels come up here," says Adi Godrej.

The transition of the Godrej group from a manufacturing-focussed company to one that is consumer-oriented is well on its way. And the change is visible not just in the market place but also within. "Last April, we had the top 100 managers — VP & above — of all Godrej companies taking pledges that revolve around customer-centricity," says Vivek Gambhir, who heads the strategy cell for the group. "It was something as simple as 'I will spend 'X' number hours with customers'."

In a few weeks, the top management of the group will pack their bags and head to Indonesia to understand the dynamics of that market. After all, there are another 100 million-odd consumers — according to the company's early estimates — out there in the developing markets where the buyouts have been made, who the Godrejs need to cotton on to. ⊙

ALL YOU WANTED TO KNOW ABOUT THE FAMILY...

... and how it runs its businesses.

- The shareholding of the third generation of the Godrej family is divided equally into five parts between Adi Godrej, brother Nadir, his cousins Jamshyd and Rishad, and Jamshyd's sister Smita Crishna.
- A family business board meets regularly, serves as a counsel for the professional management and handles issues like succession planning.
- The board includes such 'outsiders' as former Unilever exec Keki Dadiseth, Naushad Forbes, Director of Forbes Marshall, and Pradip Shah, Founder of ratings agency Crisil.
- GenNext members like Tanya Dubash, Executive Director of Marketing, for the entire group, Nisa, President of Human Capital and Innovation, Pirojsha, who is involved with Godrej Properties, and Navroze, who is at Godrej & Boyce, attend the board meetings as invitees.

TANYA

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couldn't resist this quip: "I met Sunil Mittal a long time back when I was big and he was small — and later again when he became big and I was small."

That one line sums up Tirodkar's roller-coaster ride ever since he started a company called Global Tele-Systems to sell telecom equipment such as fax machines and telephones, in 1987, go to college — he completed his schooling from a Marathi-medium school in Mumbai — cut the deal of his life when he bought into Anil Ambani's telecom towers business.

By acquiring Reliance Infratel's 50,000-odd towers, Tirodkar's company, GTL Infrastructure, has become the largest telecom tower company in the world with 80,000 towers. The transaction is valued at Rs 50,000 crore. This figure is arrived at by multiplying the number of tenants per tower with the revenue generated per tenant. Anil Ambani will own 26 per cent of GTL Infra, with Tirodkar's holding coming down to 33 per cent from 52 per cent.

UMESH GOSWAMI/www.indiatodayimages.com

That's the second big bang to come from the 46-year-old Tirodkar in just six months. In January this year, GTL Infra bought the tower business of mobile services provider Aircel for Rs 8,400 crore.

From any angle, the diminutive and stocky Tirodkar doesn't come across as an archetypal takeover artiste. His headquarters in Janmabhoomi Chambers in South Mumbai's old commercial district of Ballard Estate is unassuming. And he shuns business suits, preferring the cool comfort of cotton shirts with two-buttoned pockets. But he loves reading the books of manage-

THE TIRODKAR DIARY

AGE: 46 years

DESIGNATION: Chairman, Global Holding Corp, the holding firm for six operating companies.

EARLY DAYS: A first-gen entrepreneur who, in his mid-20s, founded Global Tele, a marketing & distribution firm for telephones and faxes, in 1987.

DOMAIN EXPERTISE: Telecom

EDUCATION: SSC from a Marathi-medium school.

CURRENT EMPIRE: Six companies worth around Rs 10,000 crore, with annual revenues of Rs 7,000 crore; two are listed.

SETBACK: Scrutinised by SEBI for alleged nexus with stockbroker Ketan Parekh in a promoter-broker scam to rig up share prices.

CLOSE FRIENDS: Former Tata Finance MD Dilip Pendse and former Union Minister and Shiv Sena MP from Maharashtra Suresh Prabhu.

TURNING POINT: Acquired the tower business of Aircel for an enterprise value of Rs 8,400 crore in January '10.

BIG MOVE: Acquired tower business of Anil Ambani's Reliance Infratel, making GTL Infra the largest tower company in the world.

LEADERS HE ADMIRES: J.R.D. Tata, Mukesh Ambani and N.R. Narayana Murthy.

AWAY FROM WORK: Doesn't socialise, reads Peter Drucker, loves gardening and listening to music.

TIRODKAR'S MONEY TRAIL

He's always found money to fund his ambitions.

1992
A public-cum-rights offer brings in Rs 6 crore from the public with Tirodkar pitching in with Rs 12 crore

1994
Mobilises Rs 1.8 crore from the market through an IPO

1996
Raises foreign currency convertible bonds for Rs 162 crore

1999
Sells e-commerce business for Rs 4,500 crore at the height of the dotcom boom

2005
Hives off GTL's tower business, and makes GTL debt-free. Also uses the e-commerce proceeds to pay up debt

2006
Lists GTL Infra, the towers company, and gets a market value of close to Rs 1,500 crore; today it is close to Rs 4,700 crore

Makes a 1:1 rights offer of GTL Infra at par, raises Rs 336 crore from shareholders

GTL Infra raises Rs 1,000 crore through issue of foreign currency convertible bonds at attractive rates

Tirodkar commits Rs 1,100 crore through a preferential warrant offer

2007
Indian Banks offer a line of credit of over Rs 5,000 crore

2008
Sells GTL's enterprise and managed services to Orange Business Services, a part of France Telecom, for Rs 170 crore

2010
GTL raises Rs 1,400 crore as unsecured debt from BoB, Union Bank, PNB and Bank of India

Group company Global Rural NetCo gets loans worth close to a billion dollars from Axis Bank and IDBI Bank

Equity contribution of Rs 3,400 crore from GTL, GTL Infra and Global Holding for Aircel deal

ment guru Peter Drucker and legendary ex-CEO of General Electric, Jack Welch.

Perhaps, Peter Lynch, who wrote *One Up on Wall Street* and Robert Shiller, author of *Irrational Exuberance*, should also find space on Tirodkar's bookshelf. After all, he knows a thing or two about stock markets. And he is no stranger to the rise and fall of fortunes brought about by irrational exuberance either — he was a beneficiary of the dotcom boom as well as a victim of the subsequent bust.

At the peak of the cycle in early 2000, the stock price of Global Tele-Systems — now clipped to GTL, perhaps, in a bid to bury the pain of the past — had climbed to an all-time high of Rs 2,212. The market value of the stock crossed Rs 15,000 crore at one time, running neck and neck with bellwethers like ITC and Hero Honda. By March 2003, however, GTL's share price had sunk to Rs 53. Net profits had plunged from Rs 437 crore in fiscal year 2001 to Rs 111 crore a year later to Rs 83 crore by March 2003.

GTL doubtless got burned because of the carnage in telecom and information technology sectors — its operations then included software and telecom engineering services, and enterprise networks. But Tirodkar's problem was worsened by the fact that GTL (along with some other telecom and IT stocks like HFCL, Silverline and DSQ Software) got clubbed with the infamous K-10 bunch. The K stands for broker Ketan Parekh, the big bull during the boom, who defrauded banks to keep share prices up. Tirodkar came under the magnifying glass but was eventually exonerated by market regulator, the Securities & Exchange Board of India.

Shadow of Doubt

That Tirodkar was close to Dilip Pendse, then Managing Director of Tata Finance, who was accused of insider trading in 2001, didn't do much for his reputation. Result: Tirodkar and his operations were perceived — rightly or wrongly — to be dubious. "In the years after the scam, investors who lost money looked on him with suspicion," says an analyst with a domestic brokerage firm. And Tirodkar was forced to lie low for most part of the decade.

Tirodkar may have remained beneath the radar all those years, but he was still making important moves. Between the years ended March 2003 and March 2010, GTL's top line and net profits grew at a compounded average rate of 20 per cent and 14 per cent, respectively. The entrepreneur also found time to kick off new businesses. The tower operations were carved out of GTL, which resulted in the birth of GTL Infra, with the flagship becoming a pure-play network services company. Other companies in the group today are Global Rural NetCo, which is wiring up buildings for better data transfer in a wireless environment; Global Towers, a tower manufacturer; Global Projects, a procurement and project services company; and Global InnovSource, a recruitment and staffing services firm. The size of the group's balance sheet is estimated at $5 billion and the market value of two listed companies is roughly $2 billion. Interestingly, Tirodkar also has an

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The big question, however, is: How did Tirodkar finance his expansion spree? And the even bigger question is: How is he bankrolling the multi-billion dollar buyouts? "The money factor is grossly misconstrued," says Tirodkar. Why?

In 1999, Tirodkar sold his apparently flourishing e-commerce operation, called Global Electronics Commerce Services Ltd. to a clutch of investors, including Bank of America, UTI and T.RowePrice, at a valuation of Rs 4,500 crore. "Some of that money came to me, whilst the rest was used for building new businesses," he says. He's quick to add that GTL has not raised any money from the market since an initial public offering in 1994.

In fact, Tirodkar goes on to say that even after the recent huge investments, "we don't need money from the Indian capital market". That may smack of arrogance, but the canny entrepreneur appears to have more than one option to raise money.

For starters, banks see few reasons not to lend to the GTL Group, with Deutsche Bank and half a dozen state-owned banks, including State Bank of India (SBI), having offered lines of credit for expansion and acquisitions. "He has a clear vision in the telecom services space," believes M.M. Agrawal, Deputy Managing Director, Axis Bank. And private equity majors such as Blackstone and Carlyle are said to be keen to invest in Tirodkar's companies.

So, how is he financing the acquisitions of Aircel's and Ambani's towers? For Aircel's towers, Tirodkar has taken a debt of Rs 5,000 crore and there is an equity infusion of Rs 3,400 crore by GTL, Global Holding Corp and GTL Infra. The Reliance deal has been structured differently. A person close to the transaction reveals that Reliance Infratel's debt of Rs 12,000 crore will be transferred to GTL Infra. Anil Ambani will get a 26 per cent stake in GTL Infra. Tirodkar will have to pay out some cash, and that amount will be finalised once the valuation exercise is completed in a few weeks.

Tirodkar's Broad-based Telecom Operations

Company	Business	
GTL	Telecom network service provider	4,135
GTL Infrastructure	Independent telecom tower company	4,940
Global Rural NetCo	Shared active telecom infrastructure provider	NA
Global Towers	Manufacturing of telecom sites and energy optimization	450
Global Projects	Procurement and project services	420
Global InnovSource	Recruitment & staffing services	288

Figures show valuation, in Rs crore GTL & GTL Infra are listed and hence market cap is taken Source: Market

Such transactions involving dollops of debt, equity and hard cash don't give Tirodkar sleepless nights — the group's net debt/equity ratio stands at 1.4, there is still an unused debt limit of Rs 3,500 crore (after tying up funds for the Aircel deal) and he's sitting pretty on a cash balance of at least Rs 2,500 crore. He can raise more debt as infrastructure companies can go up to a debt/equity ratio of three.

Tirodkar says he can easily mobilise Rs 15,000 crore by securitising the future earnings of his tower business since it has triple A-rated customers. "If we take Rs 2,000 crore revenue every year for 15 years with a three per cent escalation every year, we have a revenue pipeline of Rs 40,000-45,000 crore," says Tirodkar.

The Rs 8,400 crore paid for Aircel's towers may seem a lot, but Tirodkar is confident of a huge payback. "The tower model is a self-financing one — just like roads that are financed by toll," says Tirodkar, as he explains the annuity-driven revenue model. "Rs 8,400 crore may look huge today, but over a 15-year period Aircel will be paying us between Rs 17,000 crore and Rs 22,000 crore," he says with a twinkle in his eye. GTL Infra will earn rentals of Rs 700 crore in the first year, Rs 1,100 crore in the second, Rs 1,400 crore in the third and so on, for 15 years, from Aircel. And, of course, if another tenant comes on board, that's another bonanza. GTL Infra currently has operators like Vodafone, Bharti Airtel and Tata Tele using its towers. New revenue streams from wireless broadband services providers and radio stations are also possible.

"Our time has come," says Tirodkar, as he leans back in his chair. The upcoming rollout of third generation (3G) mobile phone services will throw up another huge opportunity. Tirodkar recently floated a company called Global Rural NetCo, which will take on the task of wiring up buildings for data transfer in the 3G era. This company achieved financial closure with a $1.2-billion loan from Axis Bank and IDBI Bank.

For now, though, towers is where the action is. "His towers will dwarf all his other businesses in terms of size," says Ajay Parmar, Head of Research at Emkay Global Research. Tirodkar clearly has reasons to be excited: He's created a huge asset that is at the threshold of generating whopping revenues and he's found a dependable ally in Anil Ambani. And this time around the exuberance appears more rational than in the past. ⊙

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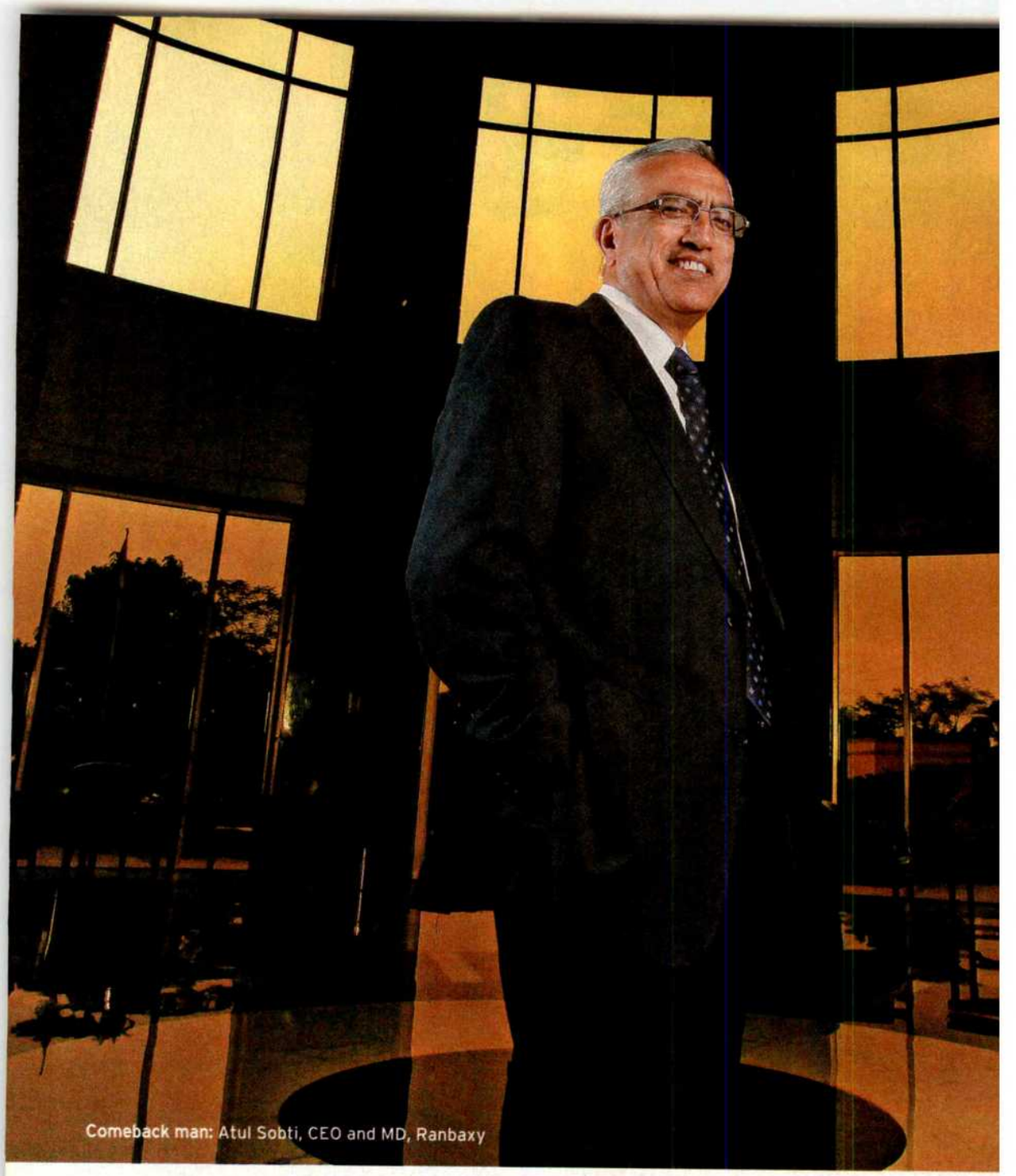

Comeback man: Atul Sobti, CEO and MD, Ranbaxy

CLEAR AND PRESENT DANGER: RANBAXY'S US SAGA

June 2006

US FDA issues warning letter on manufacturing practices at Ranbaxy's Paonta Sahib plant in Himachal Pradesh.

June 2008

Daiichi Sankyo announces deal to buy the Singh family's nearly 35 per cent stake in Ranbaxy. It will also acquire additional shares in the company via an open offer.

Takashi Shoda,
Chairman,
Daiichi Sankyo

July 2008

The US Department of Justice files charges against Ranbaxy, citing possible issues with the data submitted in support of product filings. It notes "a pattern of systematic fraudulent conduct".

Sept. 2008

FDA issues an impo
barring all finished
and active pharma
from Ranbaxy's De
Sahib and Batamar
citing violations of
manufacturing prac
action remains in e

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Ranbaxy's New Glow

Two years after it slammed into a US regulatory wall, Ranbaxy Laboratories, under its Japanese owners, is working the hard way to be back among the stars. SHALINI S. DAGAR

For a long time to come, July 3 will remain a black day at Ranbaxy Laboratories, India's biggest drug maker by sales. That was the day in 2008 that US investigators hauled Ranbaxy into court in a probe of possibly falsified records that enabled the sale in the United States of drugs that did not meet quality standards.

The timing could not have been worse for Tokyo-based Daiichi Sankyo. Less than three weeks earlier, the third-largest pharmaceuticals company in Japan had bought out control of Ranbaxy, paying top dollar to the Singh family that controlled it.

That July move by the US authorities and other news that followed sent Ranbaxy shares tumbling to a low of Rs 169.45 in four months flat. That was less than one-fourth the price that Daiichi Sankyo, with big ambitions for off-patent or generic drugs, had paid for Ranbaxy. And with the cheque written out for the purchase close to $4 billion, it could only hurt more.

That's the situation Amit Chander, Head of Investments for Health Care and Education at private equity firm Baring Partners, tries to highlight in a conversation on Ranbaxy's woes. "Look at it from the buyer's point of view," he says. He is right. The buyer's point of view has remained largely absent from discussions on Ranbaxy's troubles — despite the Japanese company now owning nearly two-thirds of the Indian drug maker.

The reticent Japanese will not talk about their disappointment even in private. All that Daiichi Sankyo will comment on is how it took longer to find its stride in India. The pace of integrating Ranbaxy into its fold, says Tsutomu Une, Member of the Board

Feb. 2009

FDA invokes its Application Integrity Policy (AIP) against the Paonta Sahib facility on concerns over integrity and reliability of data in Ranbaxy drug applications. An AIP requires the affected facility to re-apply to FDA for approval or the application be withdrawn.

A Ranbaxy facility

Dec. 2009

Another warning letter issued against Ranbaxy's Gloversville, New York facility. "It is apparent that Ranbaxy's attempts to make global corrections after past regulatory actions by the FDA have been inadequate," says the US drugs regulator.

June 2010

Ranbaxy says the Gloversville and Dewas plants are ready for re-inspection while work is on at Paonta Sahib for rectification in accordance with the FDA. Towards a speedy resolution, Ranbaxy has hired a consulting firm to beef up quality systems across facilities.

and Senior Executive Officer for Global Corporate Strategy at Daiichi Sankyo, "has been slower than we would have liked." His response came to BT via a spokesperson, on e-mail.

But, inside Ranbaxy's headquarters in Gurgaon, a satellite city to the southwest of New Delhi, work is on determinedly to ensure that Daiichi Sankyo's money and efforts do not come to naught. The Japanese, says Atul Sobti, Ranbaxy's CEO and Managing Director, now for over a year, stood by their investment decision despite the troubles that erupted in the early days of the takeover. "It is critical that we now ensure that value is delivered," he stresses.

Delivering value to the new owners can be a tough ask in any acquisition, more so in the case of Ranbaxy. The July 2008 run-in with US Department of Justice investigators escalated into an import alert in September the same year by that country's drugs regulator, the Food and Drug Administration (FDA). For a company that made nearly a quarter of its revenues from the US, that was nothing short of a disaster.

But more bad news followed. When a call made on foreign exchange went wrong later that year, Ranbaxy had to book a loss of Rs 900 crore in 2008 (its financial year ends in December). For a company in transition, it was as if the bottom was falling out. For Sobti, who was chief operating officer before he took formal charge as CEO in May 2009, it was probably the toughest period of his 30-year career during which he has worked at companies such as Hero Honda and Xerox. "What should have taken off beautifully has had to go through its (share of doubts)...," he reflects. Still, he adds, the difference from earlier is that there are no hidden risks waiting to blow up. (See *Clear & Present Danger: Ranbaxy's US Saga.*)

And Ranbaxy's share price, back at over Rs 450, is reflecting the market's increased optimism about the company. Supratim Majumdar, Frost & Sullivan's pharma industry analyst, says: "Sales, profitability and margins are all up. There is clear strategy evident from the company's actions."

Some of that may be a feel-good factor from the company's latest quarter results. For the quarter to March 2010, Ranbaxy clocked its highest-ever consolidated quarterly revenues at some $542 million (Rs 2,493 crore) — a 65 per cent rise from the year-ago quarter. This performance was buoyed by the launch of generic valacyclovir, a herpes drug first marketed by GlaxoSmithKline as Valtrex and fetching it $2.2 billion in sales. In the US, this drug managed to gain a market share of 60 per cent. The launch of a copy of oxycodone, a pain management drug authorised by patent-holder Purdue Pharma, and a settlement with Boehringer Ingelheim, made for further one-time income.

The Cornerstones

Ranbaxy, slowly benefitting from what Daiichi Sankyo calls a "hybrid business model," is focussing its energies on three major markets: the US and Japan, which are the top two pharma markets in the world, and India.

It continues to invest in manufacturing in the US in spite of its regulatory troubles there. Sobti says he is planning three years ahead. "We have upgraded our manufacturing in the US, spending $30-40 million. We are now planning to upgrade packaging. We have almost 700 people there," he says. Ranbaxy rival Dr Reddy's Laboratories has around 300 people in the US.

Like valacyclovir, Ranbaxy has several other potential drugs in the pipeline. The company has made 204 regulatory filings with the FDA for approvals to sell new generic drugs. Of these abbreviated new drug applications or ANDAs, as they are called, 138 have been approved. Of the pending applications, 13 are so-called Para 4 applications, which, if approved, could allow Ranbaxy to market the drugs while the patent is in force. This 180-day exclusive marketing window makes for rich pickings, but the Para 4 approval process is litigious, expensive

The Ranbaxy Tripod

How the company is focussing on its three core markets.

INDIA

Through Project 'VirAAt', Ranbaxy is gunning for enhanced market share in its home market. It aims for market leadership by 2012 and that is evident in an increased focus on brands like Revital and Volini. Eighteen of Ranbaxy's brands feature among the top 300 brands in the industry.

JAPAN

Globally, Japan is the second-largest pharma market after the United States. Generics penetration has just started to gain momentum as that country's health ministry has set a target of 30 per cent 'genericisation' by 2012. Ranbaxy Japan K.K., a wholly-owned subsidiary, will focus on generics filings.

UNITED STATES

Despite regulatory troubles, the United States remains a key market for Ranbaxy, where it continues to invest. As of December 2009, it had 204 new applications on generic variants of patented drugs (market size today: $45 billion) filed with the US FDA, of which 138 have been approved.

and time-consuming. In the case of Ranbaxy, the market for such drugs at innovator prices today is a rich $24 billion. Two big opportunities: generic versions of Pfizer's Lipitor and AstraZeneca's Nexium. Lipitor, or atorvastatin, is a cholesterol buster and Nexium, or esomeprazole, is prescribed for heart burn and reflux of the esophagus. (See *Big Bets at Ranbaxy*.)

Some point out that the upside may take some doing to translate into revenues. Online brokerage Sharekhan recently pointed out that filings for Lipitor and, possibly Nexium, had been made from Ranbaxy's factory in Paonta Sahib, Himachal Pradesh, which has since September 2008 been blocked by the FDA for exports to the US. "...there remains an element of risk on Ranbaxy monetising these exclusivities. Even as the management remains extremely confident of successively monetising these molecules, the timely launch of the same will hold the key," Sharekhan wrote this May.

Even so, huge generic opportunities beckon, for instance in Japan, a $80-billion drugs market. Generics there account for a mere 14 per cent of the market by volume against 72 per cent in the US. That is all set to change as Tokyo, aiming to lower health care costs, pushes for increased "genericisation," targeting 30 per cent by 2012.

Already, Daiichi Sankyo has set up a unit, Daiichi Sankyo Espha, to focus on generics in Japan on the lines of the Novartis-Sandoz model, a successful innovator-generic drug maker combination. Ranbaxy will start developing the pipeline for Espha once quality issues with the FDA are sorted out. Daiichi Sankyo is also working on details of beefing up Ranbaxy's discovery division through new molecules.

"Japan is a three-to-five-year story for us," says Sobti. "There is phenomenal synergy between Daiichi Sankyo and Ranbaxy. We are one of the best networked companies. Our in-house services such as logistics (of exporting to and marketing in 44 countries) are world-class," he says by way of example. In addition, Ranbaxy's strong marketing presence in Romania, Brazil, Russia and South Africa will help Daiichi Sankyo launch its patented products there.

Ranbaxy, too, has introduced Daiichi Sankyo's products in some markets, starting with India. For instance, in April 2009, Ranbaxy began marketing Daiichi Sankyo's flagship blood pressure drug olmesartan (brandname: Olvance) in India. Soon afterwards, both companies announced partnerships in Romania, Mexico and Africa. The latest: Introduction in India of prasugrel, a drug used in treating heart ailments, from the Japanese firm's portfolio.

Hybrid Leg-up

The second wave of synergy benefits between Daiichi Sankyo and Ranbaxy is related to manufacturing outsourcing between Japan and India, especially in generics. "There is good scope for Ranbaxy to become the production and supply base for Daiichi Sankyo once the quality issues are resolved. It can be an effective and globally com-

Team Ranbaxy

ARUN SAWHNEY, *President (Global Pharmaceutical Business)*

A pharma veteran of 30 years with stints at Bayer India, Hindustan Ciba-Geigy and Max-Gb, Sawhney is one of the senior members of the executive team.

OMESH SETHI, *President and CFO*

Another senior member, Sethi, with 21 years at Ranbaxy, heads the finance function. He is also involved with the firm's M&A activities, taxation, treasury and forex management.

SUDARSHAN K. ARORA, *President (R&D)*

With over 30 years in drug discovery and development, Arora is a key senior hand at Ranbaxy. This double-doctorate is responsible in a big way for the drugs pipleline at the drugmaker.

BHAGWAT YAGNIK, *Head (Global Human Resources)*

Yagnik is responsible for culture at an organisation with some 4,000 staff (a third of them overseas). With some 20 years behind him, Yagnik is seen as a pivotal member of Team Ranbaxy.

DALE ADKISSON, *Head (Global Quality)*

A 26-year veteran with stints at majors such as Novartis and Bristol-Myers Squibb, Adkisson has global experience in quality control and assurance systems. He was earlier Senior Director (Quality Assurance) with Daiichi Sankyo, United States. He is Ranbaxy's go-to man in solving the run-in with the FDA.

Hiroyuki Okuzawa, *Head (Global Synergy Project)*

Okuzawa is currently leading the integration process between Ranbaxy and Daiichi Sankyo. Earlier, he managed the integration at Daiichi and Sankyo after the two merged in 2005.

petitive strategy," says D. S. Brar, Chairman, GVK Biosciences, and, until 2004, the top man at Ranbaxy.

India, as a market, is the third cornerstone for Ranbaxy. By 2020, it is forecast to grow to $30 billion from the current $8 billion. Ranbaxy is aiming for the top slot here in two years (Abbott-Piramal, after its recent takeover of Piramal Healthcare's domestic formulations business, is No. 1 in India with a near seven per cent market share, followed by Cipla and then Ranbaxy). Ranbaxy has shifted its India headquarters to Mumbai from Gurgaon, hired 1,500 people, and created 10 business units. Sobti has told his team that he is ready to accept a drop in operating margins for the first year, because of this.

In effect, what Daiichi Sankyo and Ranbaxy are trying to do is copy-book strategy. Try to straddle (and balance the risks and opportunities) two widely different parts of the $800-billion global pharma market: Patented, expensive medicines, on the one end, and generic, competitive drugs, on the other. Only a few like Novartis-Sandoz have succeeded with this model but several have tried it — the latest being Abbott-Piramal Healthcare.

The so-called innovator companies, or the patent owners, are stressed about their empty pipelines of blockbuster drugs as costs of drug discovery become unsustainable. The generics industry faces cut-throat competition but has two factors working for it. One, some $80-billion worth of drugs that will lose patent protection in two to three years and are waiting to be copied. (Of course, the figure will come down since generics are cheaper.) And, two, the push by governments the world over — the US, Europe and Japan, as also fast-growing markets such as Brazil, Russia, India, China, Turkey, Mexico and South Korea — towards cheaper, generic drug equivalents.

Tsutomu Une, Member of the Board, Daiichi Sankyo

"Ranbaxy is like a diamond... And together with Daiichi Sankyo... the diamond will sparkle even brighter"

"Ranbaxy is like a diamond, already with a considerable value. And together with Daiichi Sankyo, we believe that Ranbaxy's strengths could be further boosted and that the diamond will sparkle even brighter," says Une, the Daiichi Sankyo board member. "The brighter the diamond is, the more valuable the entire Daiichi Sankyo Group will be." Already, the Japanese firm is benefitting. In the year to March 31, its sales rose 16 per cent in the US, 28 per cent in Europe and some 76.4 per cent in other countries (not including India), some of which the company credited to Ranbaxy.

While the current stance of governments towards generic drugs presents a near-perfect setting for Ranbaxy, many of its plans are hobbled by its poor record of compliance. Yet, Sobti, known for his candour and ability at suasion (Ranbaxy's former human resources and legal heads were persuaded to join back by him despite the current troubles; see *Team Ranbaxy*) may be the best helmsman to steer Ranbaxy out of its regulatory mess. Says one pharma industry veteran on condition of anonymity: "Sobti should be able to handle the quality and compliance issues. At least, he carries no baggage or arrogance of the past."

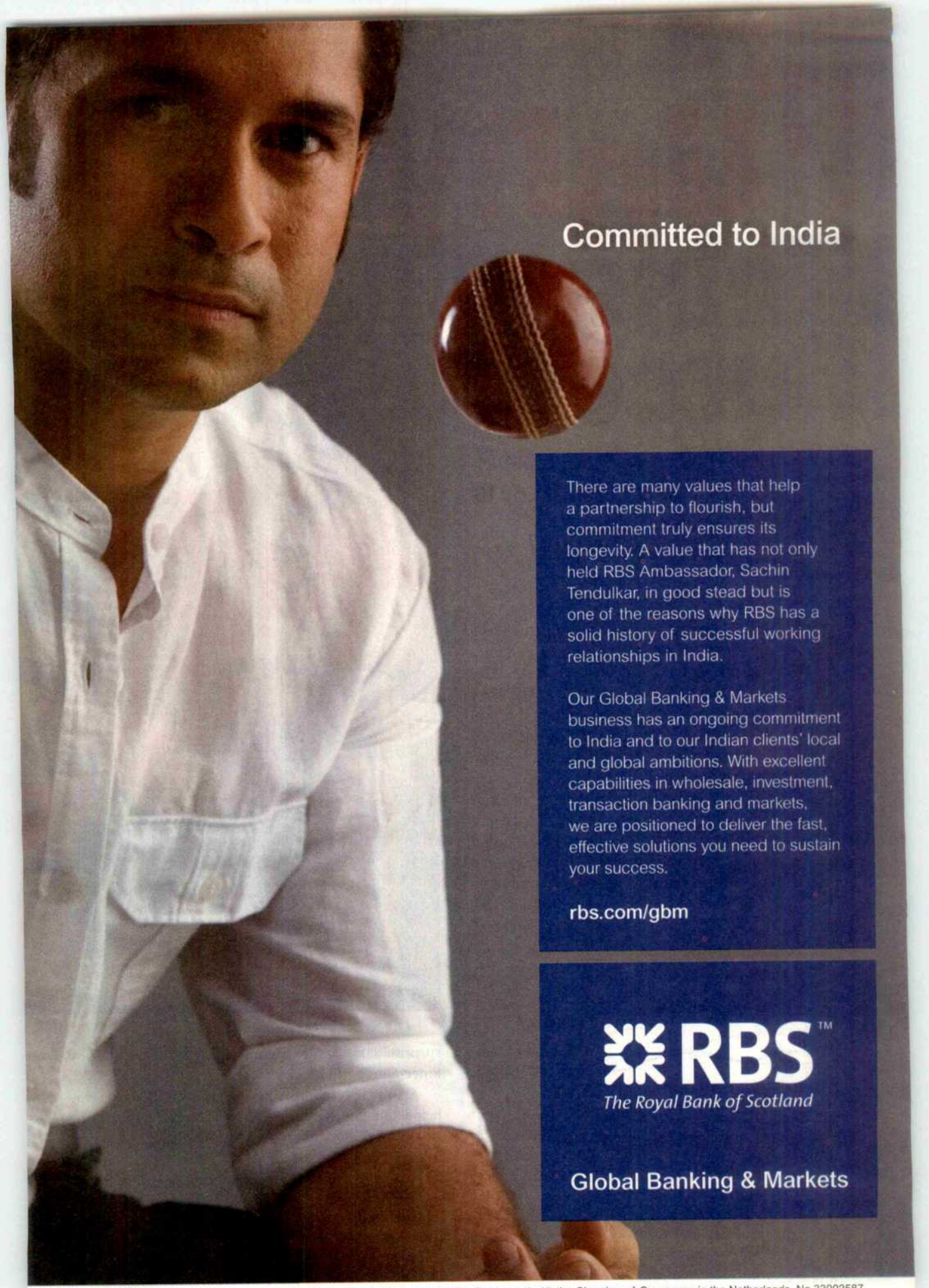
Internally, hundreds of shocked Ranbaxy employees appreciate the townhall meetings and open house sessions Sobti has held at manufacturing sites and overseas operations. Says the CEO: "Nobody was asked to leave" at the plants at Paonta Sahib or Dewas (in Madhya Pradesh) affected by the FDA probe, or in the US team.

Industry experts are backing Ranbaxy, too. Much of Ranbaxy's future, suggests ex-chairman Brar, depends on how it plays out the strategy its Japanese parent is crafting for it. Chander, the Barings executive, reckons he is not worried for Ranbaxy in a five-year time frame. "The Japanese pretty much invented quality in manufacturing. I would be very surprised if compliance issues continue for long," he says. ⊙

Big Bets at Ranbaxy

Molecule	Innovator (Brand)	Market Size	Status	Year
Valacyclovir	GSK (Valtrex)	$1.3 billion	Launched	2009
Esomeprazole^	AstraZeneca (Nexium)	$5.5 billion	Settled	2009-14
Tamsulosin	BI*/ Astellas, (Flomax)	$1.2 billion	Settled	2010
Atorvastatin	Pfizer (Lipitor)	$8 billion	Settled	2011
Pioglitazone	Takeda (Actos)	$3 billion	Settled	2012

^Including supply agreements beginning 2009 through 2014 & 180 days exclusivity in 2014
*Boehringer Ingelheim/ Astellas



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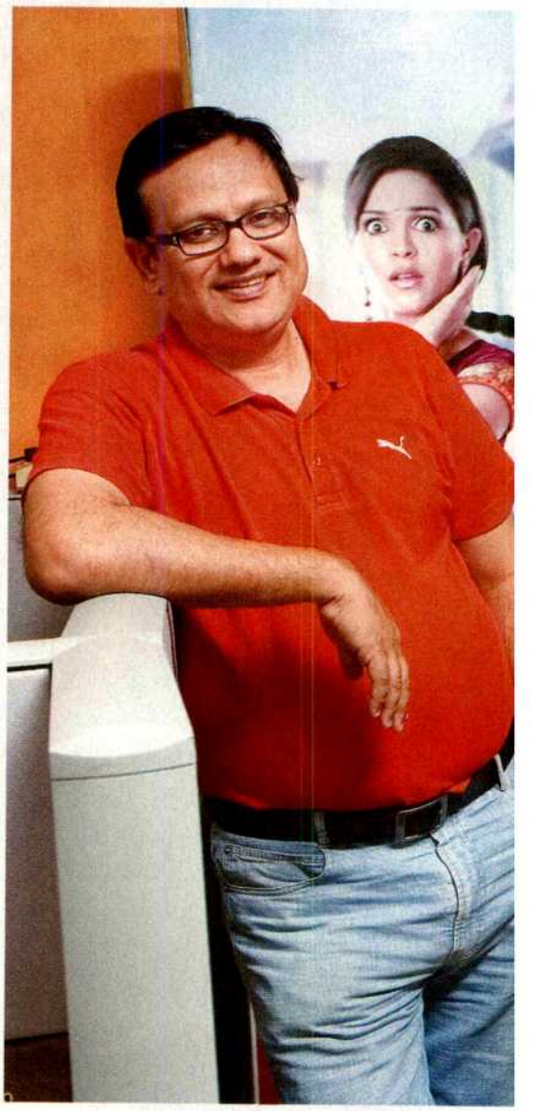
Funny Thing, Success

SAB TV laughs its way to the ranks of the Top 5 Hindi GECs, getting close to flagship Sony. SHAMNI PANDE



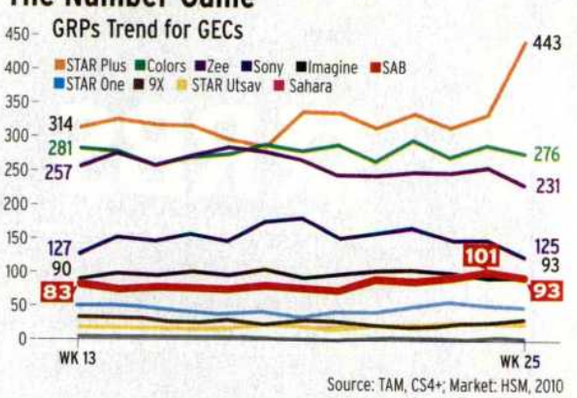
Every Wednesday is a day to die for in the television business — that's when TV audience measurement or TAM data lands on the tables of channel heads and advertisers. The show rating numbers tell all: whether the programmes are on track or not, whether they are delivering the desired viewership, if any channel has fallen behind competitors or gone ahead.

On the third Wednesday of this June, a collective whoop rent the air at the Mumbai office of SAB TV, a unit of Multi Screen Media (MSM). The figures showed that SAB TV had finally inched ahead of arch-rival Imagine, a general entertainment channel, or GEC, acquired by Turner in India from NDTV in February this year. And, surprise! SAB TV is also edging close to MSM flagship Entertainment Television, or SET.

SAB's gross rating points or GRPs, after flickering below Imagine, flared up to 101 in Week 24 against rival's 94. After much back-thumping, hugging a flurry of phone calls, SAB TV's top executives its sales and marketing teams trooped out for an promptu party.

The big deal? Finally, SAB TV had popped up among

The Number Game



KULDEEP

Source: TAM, CS4+; Market: HSM, 2010

Resting easy: SAB's Kapoor (L) with his colleagues

RACHIT GOSWAMI/www.indiatodayimages.com

Top 5 Hindi GECs. The pecking order put STAR Plus right on top, followed by Colors, Zee and SET. SAB and Imagine are in play and the very latest data also suggests SAB has held on to its northward growth.

GRPs are the sum of all the television rating points, or TRPs, which, in turn, represent a percentage of viewers out of the TV viewing universe in a specified market, time band and target profile.

The rating for just one week can hardly be enduring proof of success but, for Anooj Kapoor, Executive Vice President & Business Head of SAB, it is a vindication of the unique positioning he gave the channel shortly after joining it in 2007, when it was struggling with a GRP of 28.

According to N.P. Singh, COO of MSM, the channel's positioning makes it a "must-carry" for all platforms.

"SAB appeals to the entire Hindi-speaking belt, but from a distribution perspective, it has helped us make inroads into markets like Gujarat, which were hitherto dominated by competitors," says Singh.

Kanta Advani, a former sales and marketing head of SAB TV, points out that the channel, originally launched by Sri Adhikari Brothers in 2000, used to have a lot of repeat programming. Later, after Sony took it over in 2005 and tried to change the programming, the channel suffered.

"It has finally found its groove," says Advani, now an independent media consultant. Viewers and advertisers had begun dropping off when MSM's management tried to make the programme more broadbased.

This view is being echoed by top media buyers as well. "SAB has a very unique niche in that it offers a density of humour-based programmes. This works well as it allows us to reach specific audiences, especially male," says Prasanth Kumar, Managing Partner of GroupM's Central Trading Group for South Asia.

Ever since Kapoor put the spotlight back on "lighthearted family entertainment", SAB's GRPs have been growing: a 300 per cent, consistent growth over the last two years.

The Rate Race

SAB's growth has another implication, for its GRP is now close to the flagship's 125. Hindi GECs are lumped in two

groups. In the first are channels such as STAR Plus, Zee and Colors that have consistently delivered with superior viewership.

"Sony is part of the first set. The second includes SAB, Imagine, STAR One, 9X, etc.," says Tarun Deep Kumar, Executive Director for northern India and Bangladesh at Starcom, a leading media buying unit that is part of Publicis Groupe.

What Kumar means is that while SAB and SET are close, they are really not. "The first big difference lies in the marketing and promotion support accorded to them," he says. For instance, SET's new shows such as *Maan Rahe Tera Pitah*, starting at 8 p.m., followed by *Baat Hamari Pakki Hai* and older shows such as *Boogie Woogie* garner ratings of 0.3-1.4 (see *Slotwise Ratings and Ranking in the GEC Space*).

Things look slightly better for SAB, which has *Maniben.com* at 0.6 followed by its top-rated *Tarak Mehta Ka Oolta Chashmah* or TMKOC at 2.5, *Sajan Re Jhoot Mat Bolo* with a rating of 1 at 9 p.m., *Mrs & Mr Sharma Allahabadwale* with 1.2 and *Lapataganj* at 1. This also makes it comparable to Imagine, the channel it overtook recently.

Not all media buyers are impressed by GRPs as a metric. As Punitha Arumugam, Group CEO of Madison Media, says: "We seek a programme's strength and viewership and do not like to get caught in a number game that can easily change."

Others, like Mona Jain, COO of VivaKi Exchange, a media investment unit, look at it differently. "Sure, SAB has a unique niche of humour, but its driver show is *Tarak Mehta*, whereas Imagine offers a lot more variety. So, I consider SAB when I want to reach a male audience in the Hindi belt," says Jain. The media investment unit leverages the combined scale of offline and online media for Publicis Groupe's Starcom MediaVest, ZenithOptimedia India and Solutions Digitas.

Imagine is not sitting still. "The GEC space has seen dramatic swings. STAR Plus was lagging behind Colors and has fought back to the top slot in just two months. We were close to SET's performance some months back. Hence, one cannot make any firm prediction in this scenario," says Nikhil Madhok, VP, Marketing & Communications, Imagine.

Newcomer Imagine, headed by former STAR hand Sameer Nair, did cut through the clutter quickly with attention grabbing reality shows such as *Rakhi Ka Swayamwar*, which averaged a TVR of 3.3, followed by *Rahul Dulhaniya Le Jayenge* with a average rating of 2 and the controversial *Raaz Pichle Janam Ka*, which took off with 2.5 and settled with a rating of over 1.

UMESH GOSWAMI

Madison's Aurumugam: Looking beyond GRPs

SLOTWISE RATINGS AND RANKIN(

Rank	Mon.-Thu. 20.00 Channel	Rating	Mon.-Thu. 20.30 Channel	Rating	Mon.-Thu. 21.00 Channel	Rating
1	Colors	4.6	Zee TV	3.5	Zee TV	5.9
2	Zee TV	3.6	STAR Plus	2.8	STAR Plus	3.9
3	STAR Plus	1.9	Colors	2.8	Colors	2
4	Imagine	0.7	SAB	2.5	Sony	1.1
5	SAB	0.6	Imagine	0.7	SAB	1
6	STAR One	0.5	Sony	0.5	Imagine	0.9
7	Sony	0.3	STAR One	0.3	STAR One	0.4
8	STAR Utsav	0.2	Sah One	0.1	Sah One	0.3
9	Sah One	0.1	STAR Utsav	0.1	STAR Utsav	0.1
10	9X	0	9X	0	9X	0

"Fact is, SAB is a regional channel with a big Gujarati following," Madhok says.

Point, Counterpoint

SAB's Kapoor contests this 'regional' tag, pointing out that *Tarak Mehta* does not hog the limelight. "*Tarak Mehta* contributes to 25 per cent of our prime time ratings. There are five other shows at prime time that give us 1+ TVRs," he says.

Gujarat is certainly a strong market, but it is supported by viewership from Uttar Pradesh, Madhya Pradesh, Rajasthan, Maharashtra and Chhattisgarh. "In no way is SAB a regional channel. It is national in its audience and its appeal," Kapoor says.

Riding on this growth, SAB has actually doubled its ad rates over the last one year. According to media buyers, the spot rate for *Tarak Mehta*, which was below Rs 25,000 for a 10-second slot, has shot up to over Rs 50,000. The day rates for brands seeking to build frequency have gone up to Rs 4,000 from around

Rs 2000.

In the past, Imagine's rates for top-rated shows such as *Rakhi Ka Swayamwar* have touched Rs 1 lakh, but the day parts hover at Rs 10,000 for a 10-second ad spot. These are just indicative rates as long-term advertisers and sponsors cut different deals that offer them vastly different rates.

Meanwhile, SET's popular and long-running show, *CID*, fetches a rate of Rs 2.5 lakh, while *Indian Idol-5* has been inundated with advertisers willing to shell out up to Rs 1.5 lakh for 10 seconds, with the day parts at Rs 80,000.

But the deal with SET is different: "The channel has an established legacy and *CID* and *Indian Idol* have offered ratings of up to 3. Hence, till SAB actually hits that high note and works at building a large base of successful programmes, it will continue to be dogged by a certain perception," says Kumar of Starcom.

IN THE GEC SPACE (Last 4 weeks avg.)

Rank	Mon.-Thu. 21.30		Mon.-Thu. 22.00		Mon.-Tue. 22.30		Wed.-Thu. 22.30	
	Channel	Rating	Channel	Rating	Channel	Rating	Channel	Rating
1	Zee TV	4.5	Colors	4.7	STAR Plus	5.1	STAR Plus	5.1
2	STAR Plus	4.2	STAR Plus	3.4	Colors	4	Colors	4.2
3	Colors	3.3	Zee TV	2.7	Zee TV	1.5	Zee TV	1.2
4	Sony	1.4	Sony	1.1	Imagine	1.2	Imagine	1.2
5	SAB	1.2	SAB	1	Sony	1	Sony	0.7
6	Imagine	0.9	Imagine	0.9	SAB	0.6	SAB	0.6
7	STAR One	0.4	Sah One	0.3	STAR One	0.2	STAR One	0.2
8	Sah One	0.4	STAR One	0.3	Sah One	0.2	Sah One	0.2
9	STAR Utsav	0.1	9X	0	9X	0	9X	0
10	9X	0	STAR Utsav	0	STAR Utsav	0	STAR Utsav	0

Rank	Friday 20.00		Friday 20.30	
	Channel	Rating	Channel	Rating
1	Colors	4.5	Zee TV	3.4
2	Zee TV	3.7	STAR Plus	3.0
3	STAR Plus	1.9	Colors	2.7
4	Imagine	0.6	SAB	1.2
5	STAR One	0.5	Imagine	0.6
6	Sony	0.3	Sony	0.5
7	SAB	0.3	STAR One	0.2
8	Sah One	0.2	Sah One	0.1
9	STAR Utsav	0.2	STAR Utsav	0.1
10	9X	0	9X	0

Source: TAM, CS4+, Hindi speaking market, Week 22-25, 2010

Laughter Challenge

Not to be ignored is news that the original SAB founder Markand Adhikari wants to launch a competing humour and music channel called Mastiii. "SAB TV is a comedy channel, while Mastiii will be a combination of comedy and music with well-known comedians on board. This will differentiate, giving Mastiii a first-mover advantage," says Adhikari, Vice Chairman & Managing Director, Sri Adhikari Brothers.

Adhikari is known for coming up with low cost, successful programmes that he eventually sells to the highest bidder, as he has done with SAB first and then later with Mi Marathi and Live India, which got sold to construction conglomerate HDIL.

SAB TV's Kapoor is not unprepared, and is already looking for new programmes. "We are seeking to build depth with our core strength of lighthearted entertainment that is not regressive, but includes the entire family. That is why we are also trying to increase our female audience," he says.

Against an overwhelming male audience of up to 75 per cent two years ago, SAB TV's female viewers account for 55 per cent. But why would a channel want to mess with a good thing? Advertisers do seek the decision-makers — i.e., men — and reach out to SAB on that strength.

"We appeal to the entire family — women being an intrinsic part of it. This shows the universal appeal of our content while other GECs don't appeal to male audiences as much," says Kapoor. Besides, GECs are in any case reach-based platforms aimed at wooing the housewife.

But, as Sudarshan Rajan, an independent media consultant, says: "The activity on GECs for large marketers is between 36 and 48 weeks a year. Women control the major chunk — 83 million C&S households multiplied by Rs 1,500, the average grocery bill per month means a big business opportunity." In fact, the universe of women viewers has increased by 53 per cent in the last one year for all GECs.

Given the challenge, SAB is losing no time on spreading its base. It has already unleashed a new show called *Papad Pol* late June and is also working on distribution and marketing. It hosted *SAB Ka Mela* in Ahmedabad, a family fair attended by 27,000 people. It has a radio promotion, *SAB Ka Damadji*, in which a "damadji" or son-in-law invites questions from women and answers them via jokes and funny anecdotes.

With Hindi newspapers even running cartoon strips based on SAB's popular shows, the channel is seeking to enter the Guinness Book of Records as the only channel to air comedy-based content round the clock. With all this, "it is not unlikely that SAB will sustain its ground and outstrip competition and also SET," says a veteran media buyer. ⊙

Juggling Training and Piña Coladas

Koenig Solutions sits on a gold mine, offering a package of offshore tech certification and tourism to trainees from Europe to Africa. SAUMYA BHATTACHARYA

The ITinerants: A group of students from Dehradun centre of Koenig Solutions at the Sahastradhara, a waterfall near Dehradun

RAJEEV KALA

Tucked away in an obscure corner of West Delhi, Nigerian national Alhamdu Bello is living his dream of fast-tracking his fledgling career. His fascination with India's information technology (IT) success story and its culture has brought Bello, 26, a Networks Engineer at Abuja-based software services firm Micro Access to "the land of Taj Mahal".

Bello is but one among some 100 young techies from Europe, West Asia, Africa and other places who are in India to be trained and certified in various IT skills. Helping them get to the next stage in their work-lives is Koenig Solutions, which offers globally-recognised training and certification programmes on software from Oracle, Cisco, Red Hat, Microsoft and Novell, to name a few. To make it really compelling for its trainees, Koenig throws in a tourism package.

All this at prices (including the holiday) less than half what it would cost in Europe (see *More for Less*). "I would pay five times to learn .Net (a Microsoft technology) in Switzerland, Germany or Austria," says Christian Muller, 38, Chairman of Dynovus Solutions, a start-up in Switzerland, and a Koenig customer.

Meet the brain behind Koenig: Rohit Aggarwal, Founder and CEO, who is on his way to becoming a successful first-mover in what is being broadly called education tourism in India. Koenig has a modest turnover of Rs 20 crore with more than 1,500 students attending its courses annually, but it is a fast-growing one—Aggarwal's business has trebled in the past three years.

To date, Koenig (German for king) has put some 8,000 trainees through various programmes. About half of its trainees are sponsored by their employers from diverse geographies — such as Coca-Cola in Angola and Khan Bank of Mongolia in Ulan Bator. Koenig, says Ganesh S., Lead at Microsoft Learning India, "has employed some of the best processes" in the certification business. Others have tried to replicate them, but not with the same degree of success, he adds.

There are few models that Koenig can be compared with but for a proxy, one needs to travel back in time. About a dozen years ago, several like General Electric, Daksh eServices and Spectramind started businesses then unheard of in India: offshored back-office support services. Today, better known as business process outsourcing, or BPO, services, that industry clocks $14.6 billion in revenues every year. Genpact, India's No. 1 BPO firm, had $1.3 billion revenues last year.

Can Koenig aspire to grow to that size? It's very early days yet, but Aggarwal believes he has a sustainable differentiator at play. Under its business model resting on training and hospitality, Koenig works as a one-stop shop for flight bookings, local transport, stay, training, hospitality and even helps its students tour India. While India's IT training companies play host to students from all across the world, tourism and hospitality is seldom bundled with training. "We are as big a travel company as we are a trainer," says Aggarwal, elaborating no more than that the tourism services part of his business is "substantial". One-third of his 300 staff focus on the hospitality part of his business.

It took some doing for the 40-year-old Aggarwal and his company to get to where they are today. His journey dates back to 1993 when Koenig was launched as yet another India-focussed IT training company with an investment of Rs 1 crore. That was the time firms such as NIIT were aggressively expanding. Koenig ran into rough weather during the dotcom bust of 2000-01. Scarred, but not willing to give up on the IT training model, Aggarwal started to look beyond India to survive.

The rationale was clear: if IT services companies could deliver tech services and maintenance by sending people from India, why not reverse that model to reskill tech staff from global locations with short training programmes here of between three days and 15 weeks? But that was easier said than done. India had an obvious cost advantage, but that would not be enough to convince an IT worker to get on a plane to travel half way across the world for a certification. And, his potential trainees from places like Europe were very demanding — they would expect a hassle-free stay in India along with top-quality training.

Holiday on Training

That's when Aggarwal decided to add hospitality to his IT training business model. After all, India was better-known as a holiday destination than

WHAT'S ON KOENIG'S MENU...

- Top-of-the-line IT certification courses.
- Hospitality and tourism as part of the package.
- End-to-end solutions from booking flight tickets to board and travel.
- Quality and well-trained faculty and staff.

... AND THE STORY SO FAR

- Mentored over 8,000 students from Europe, Middle East and Asia.
- Centres in Goa, Shimla, Dehradun and Delhi.
- The company's revenues have trebled over the last three years.
- Up to 40% students opt for its one-on-one training.

a place to get a tech certification. The decision proved to be the game changer for his company.

Koenig was reborn in 2002 in its offshore training avatar with 10 students. "We started travel as a matter of survival and stumbled upon a unique business model," says the company CEO. The growth was slow in the first few years, but the numbers gradually picked up. By 2008, Aggarwal had facilities in four locations, most of them tourist hot spots — Shimla, Dehradun and Goa, besides Delhi. In 2009-10, it ended with its highest ever revenues and record trainee graduations of 160 a month.

Others, too, cater to the offshore training and certifications market, though without offering hospitality. "A million business models can coexist," says Anuj Kacker, Aptech's Chief Operating Officer. Even so, Koenig may have hit the right groove. Indian tech lobby NASSCOM estimates the global spend on IT education and training at about $24 billion in 2009. No precise numbers are available for the global tech certification market, the one in which Koenig dabbles; industry insiders reckon that 100,000 students globally require IT certification training every year. Aggarwal thinks fewer than five per cent of his potential customers even know of Koenig.

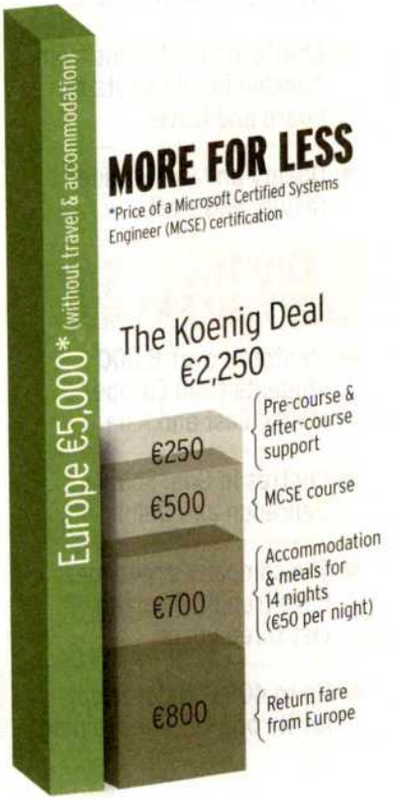
Foreseeing climbing demand, he's positioning his brand at a premium with customised services thrown in. The advantage of cost of delivery from India allows it its unique selling proposition — one-on-one training. Even though such personalised attention comes expensive (it is priced at about 40 per cent more than its regular fees), some 30-40 per cent of Koenig's students opt for it. "In Europe, an individual instructor is an impossible thought," says Aggarwal, who has 140 trainers and some 60 support staff, too, on his rolls.

At the core of Koenig's offering, says Sudhir Bhaskaran, Head, Learning Services, Red Hat India, is its ability to keep its cost of delivery low. "The training infrastructure, the vast partner network and the cost of the faculty make it feasible to deliver training in India at rates lower than international market prices," he says.

SATISH KAUSHIK

Rohit Aggarwal (C), Founder and CEO, Koenig Solutions

"We started travel as a matter of survival and stumbled upon a unique business model"



UTTAM

Consider this. In India, the price of a Red Hat Certified Engineer programme is $2 an hour versus $9-10 in the United States.

Flavio Calengi, Training Coordinator, at Coca-Cola Bottling (Luanda) Company in Angola, who has been sending his staff to Koenig for the last two years, agrees. "Portugal and Brazil are other options for us, but we are very happy with the price and quality of training at Koenig," he says.

There are, meanwhile, others who are gingerly testing the waters that Koenig is charting today. For instance, IPSR Solutions in Kerala has ventured into tech training tourism over the last three years on a small scale. Students who come for educational tourism are offered a variety of packages. They have classes from Monday to Friday followed by weekend breaks at hill stations, on houseboat cruises and at beaches. "We have an average of 30 students per year under educational tourism head," says Managing Director and CEO Mendus Jacob. The company is mostly focussed on IT solutions, its biggest growth area.

It is time, perhaps, to take a leaf out of Koenig's book. ⊙

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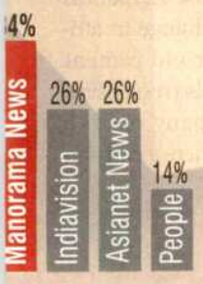

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*Source: TAM (Latest 8 weeks, 25 April to 19 June 2010; CS 25+ Males, Kerala)

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Breaking Away from the Past

Puneet Dalmia has injected into his group a strong appetite for growth – something it lacked for six decades. N. MADHAVAN

April 1999: the top management of Dalmia Cement (Bharat) Ltd (DCBL) at Dalmiapuram, near Trichy in Tamil Nadu, is in a huddle. Dharani Cements, a mini cement plant, is up for sale and the discussion is on whether DCBL should bid for it. The advantages of taking over the 0.7 million tonnes per annum (mtpa) mini cement plant are many. It is located near DCBL's existing facility. It has limestone reserves across 800 acres that have the potential to yield 92 million tonnes of high quality raw material. A capacity expansion is under way at Dharani and the new capacity will be available in 18 months. DCBL is sitting on a pile of cash but, after extensive deliberations, the management decides against taking any risk and backs off. Eventually, Grasim Industries acquires Dharani Cements for Rs 52 crore.

Cut to 2005-06. In a span of 12 months the DCBL management cle three projects that will add capacit the tune of 7.5 mtpa involving outlay of close to Rs 15,000 crore 2.5 mtpa capacity is cleared at existing facility in Dalmiapuram wl the other two additions are in n locations — at Ariyalur ne Dalmiapuram and at Kadapa Andhra Pradesh.

The activity of those 12 mon aptly illustrates the change in a tude at the 65-year-old ceme maker. That bustle is also responsi for taking the company on tc different level, from where it can a

THE PAST...

- Growth ambitions at Dalmia Cement were limited.
- It was averse to risks and preferred marginal growth.
- Loyalty and effort were two attributes that were rewarded.
- The cement operations lacked a sharp focus.

... AND THE PRESENT

- It is hungry for growth, driven by the NextGen, which is both ambitious and aggressive.
- Risk taking is part of the game. The company has grown over 10 times in just four years.
- It plans a capacity of 35 mtpa in the next 10 years.

to become a pan-India player, with a size and scale that comes closer to the industry's leaders. It has metamorphosed from a single location, single unit cement company with a paltry capacity of 1.2 mtpa into a mid-sized player with a capacity of 9 mtpa. Over the past four years, it has also been managing its group concern Orissa Cements Ltd (OCL) and in January 2010, DCBL acquired another 24 per cent stake (it already had 20 per cent) from Yadu Hari — the father of Puneet Dalmia, the 39-year-old Managing Director of DCBL. Including OCL, DCBL's effective capacity as of 2009-10 stood at 14.4 mtpa.

A 12-fold capacity increase in four years sounds great, but Dalmia isn't satisfied. In fact, his game plan was to add another 10 million tonnes by now but a sharp fall in demand, over-supply and the resultant poor prices hurt his profits (and cash flows) forced him to slow down. He's now aiming to have a nationwide presence over the next seven years with a cumulative capacity of 34 mtpa. The largest cement company in India is Grasim (which includes UltraTech Cement) with a capacity of 48.5 mtpa.

To achieve that, Dalmia also restructured the various businesses under him. Until last year, cement, sugar, refractory and power businesses were all under DCBL. Effective April this year, a new holding company, Dalmia Bharat Enterprises (DBE), was created and the cement and power businesses were brought under it. Sugar and refractories remain with DCBL. DBE will get an automatic listing in due course. "The urge to grow is due to the aggression and ambition of the younger generation," says Dalmia, who entered the family business in 2004. Before

ment function did not exist. In fact, Amandeep Gupta, the current Executive Director, HR, had to type his own appointment order. Professionals were brought in to head each strategic business unit (SBU) and family members were elevated.

The move to give cement a sharper focus paid immediate dividend when private equity player Kohlberg Kravis & Roberts (KKR) in May 2010 invested Rs 750 crore in Avnija Properties Ltd, an unlisted company under DBE that holds the cement business. A part of the money (Rs 250 crore) will go into repaying loans — the debt-equity term investment in a good family business, its management team and in India's growth," said Sanjay Nayar, CEO of KKR India while making the investment.

However, Dalmia is not bullish on sugar — where it has a capacity of 22,500 tonnes of cane crushed per day across three locations in Uttar Pradesh. "We do not want to make a large capital expenditure in the sugar business due to government interference and the volatility it creates. We are looking at low cost growth models such as leases or management contract for growth here," he says. The SBU for power has mtpa. "We will, for sure, be among those 10," says Dalmia. An equity analyst with a Chennai-based mutual fund, adds: "The cement industry's long-term growth prospects are good. Demand will rise at a compounded annual growth rate of 12 to 14 per cent over the next five years. India needs to add 20 mtpa every year. Considering these, Dalmia's growth plans are not over-ambitious."

And if Dalmia gets to his goal for 2020, that won't be bad going. So far, he's done well to turn around a traditional family business in danger of casting itself into obsolescence. ⊙

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3G WHAT NEXT?

With phone operators busy readying 3G offerings in India, *BT* looks at what you can expect before the turn of the year. KUSHAN MITRA

ALANKAR

You have heard the promises. With third generation, or 3G, mobile phone services, which could start in India before the year-end, you will get blazingly fast Internet downloads, video downloads and live TV at crisp resolutions, and maybe even video calls.

But after *Business Today* spoke with several stakeholders in the 3G world — phone service operators, equipment vendors, handset manufacturers and value-added services companies — it seems that the first and most vital role that 3G will play will be: better quality voice calls.

It is not as if 3G applications or technologies such as video services or faster Internet access are not available, it is just India has not auctioned

adequate amount of spectrum or the radio waves on which phone signals ride upon. "In many other countries, operators have been given 20 MHz of radio spectrum each. In India, operators have been given a quarter of that, despite having several times the user base," points out Sudhakar Ramakrishna, Vice President, Wireless Broadband Access Solutions, Motorola.

In other words, 3G technology, which promises 10 times more efficient use of spectrum than current-day second-generation phone systems, will first be used to fix the Indian phone user's big bugbears: poor quality voice, call drops and, at times, even interference.

Still, when the initial phase of deployments is over, phone operators are likely to look at 3G technologies for what they are designed for: faster data access. "The biggest thing about 3G is data and that will be the biggest change that customers will see," says Shireesh Joshi, Chief Marketing Officer for Mobility Services at Bharti Airtel, India's No. 1 phone company by revenues. He does not give more details.

Soaps and Games

Internet access on 3G potentially offers 50 mbps speeds using High-Speed Packet Access 'Plus' technology (HSPA+), which is at least 10 times faster that what today's 2G or even data-rich offerings such as CDMA EV-DO Rev.B technologies offer. CDMA is short for code division multiple access, a standard that rivals the more popular GSM (short for global system for mobile systems) protocol. Customers in New Delhi, where state-run Mahanagar Telephone Nigam Ltd is offering 3G phone services, already rave about the potential of such an offering — they can watch YouTube videos sans buffering on their smartphones.

Entertainment and content companies, then, see a massive opportunity in 3G, but are holding their cards close to their chest. "(It) definitely will open new opportunities, however, what remains to be seen is how the operators are deploying 3G," says Anupam Vasudev, Executive Vice President, STAR India, on the new avenues that 3G will open up. "From our point of view, we are already building new products which should be out in the market together with the 3G deployment, but real big innovations will come over time."

Vasudev will not elaborate, but given the way STAR's parent News Corp. has deployed mobile applications in more mature 3G markets such as the United States and Europe, the network in India could offer episodes of its popular soaps on mobile phones and other 3G-enabled devices, as well as give news channels new revenue-generating avenues by delivering news straight to hand-helds.

Vishal Gondal, Chief Executive Officer, UTV Indiagames, India's largest developer of games, believes additional data bandwidth could open up the mobile market for developers such as his company. "A lot of the games we develop, we do not sell in India. Not because of a lack of a market, but because users just cannot download those games," he says. "It is as if we have the Ferraris but not the highways to drive them on."

With 3G networks, that could change and as devices become smarter and more capable, customers will want applications and games that can take advantage of the increased processing power on devices, Gondal predicts. A recent game UTV Indiagames developed for the Apple iPad, for instance, is more than 100 megabytes in size — something that would take hours to download in India today.

MONEY SHARMA/www.indiatodayimages.com

V. Ramnath, Director, Operator Channels, Nokia India

"3G-based data access could be priced high initially to prevent a swamping of the network"

The sprawling number of mobile phone customers in India make for the world's second-largest market by volumes (and is the fastest-growing), but that, ironically, will be the reason that 3G offerings are either limited or expensive, say industry insiders and experts. As Motorola's Ramakrishna argues, India has not "millions of customers, but hundreds of millions of customers, which will make managing 3G networks a challenge for operators and equipment vendors".

Price to Demand

Others like V. Ramnath, Director, Operator Channels, Nokia India, predict 3G-based data access will be priced high initially — until such time as more spectrum is released for phone operators — to prevent a swamping of the network as happened with AT&T in the US last year when all-you-use-data customers of the popular iPhone choked that company's 3G network.

India's ultra-competitive phone services market — the government has auctioned three 3G licences in each licensed area or circles — will probably drive prices lower. Nationwide, government-owned Bharat Sanchar Nigam Ltd already offers video-calling on its 3G network at 35 paise a minute, but rival firms argue such prices are unsustainable.

The answer for a data-hungry country may then be met by a crop of new broadband wireless access, or BWA, companies led by the likes of Reliance Industries. The largest Indian private enterprise has already indicated it may plump for so-called Long Term Evolution, or LTE, technology, which, many argue, is faster than rival WiMax standards. Already operators such as Verizon in the US and Scandinavia's Teliasonera are running LTE networks.

BWA could take some of the load off 3G networks, says Ramakrishna. "3G might offer rich services to the phone but 'dongles' that offer data-capabilities to laptops and computers might come over LTE or WiMax," he says. In fact, it is quite possible that operators and phone vendors could come up with devices that both enable voice and limited data access on 3G networks as also latch on to BWA networks for full-blown data usage. That would be the best of both worlds. ⊙

WHO STANDS TO GAIN WHAT FROM 3G

CONSUMERS
Get a richer data experience on their phone, faster downloads and possibly even high-resolution TV and movie clips.

OPERATORS
3G improves voice throughput, and with subscribers moving from 2G to 3G networks, congestion will ease.

HANDSET VENDORS
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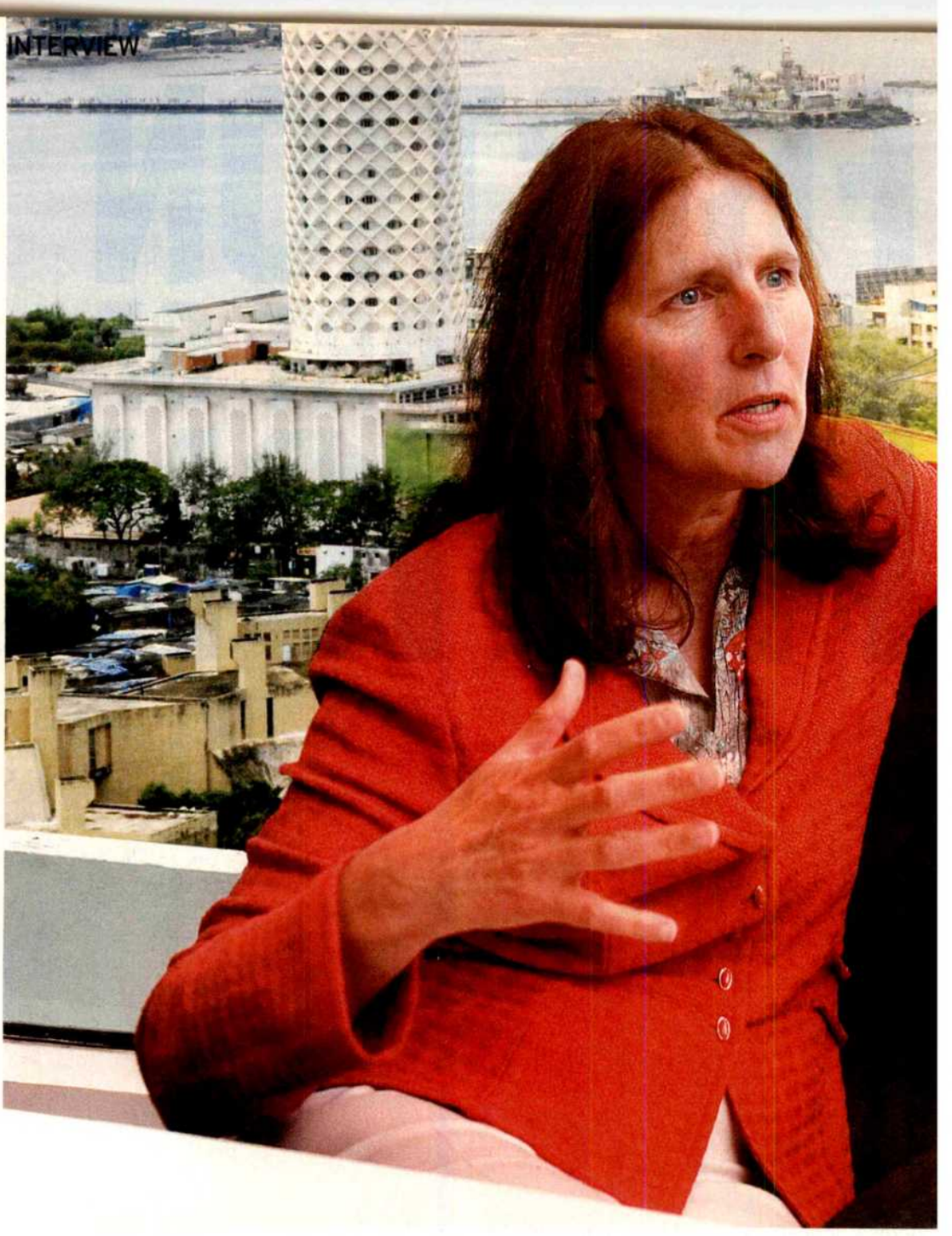
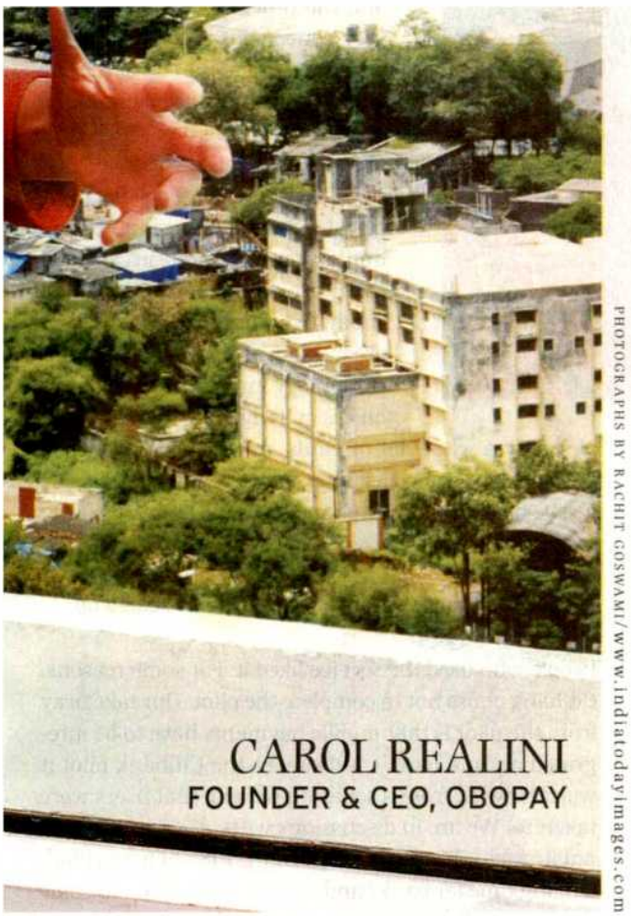


It needed to be a really big idea to drag ***Carol Realini*** *out of retirement. After taking two Silicon Valley technology companies public over a span of 10 years (1990-2000), she had decided to settle in the ski-resort city of Aspen. But a trip to Kinshasa, the capital of the Democratic Republic of Congo, opened her eyes to a huge opportunity. In the midst of poverty, Realini saw widespread usage of mobile phones. Customers would walk into pre-paid mobile phone recharge centres with wads of cash to top up their phones.*

The big idea that popped into Realini's mind: mobile banking. After all, she reckoned, the world had four billion phones and only one billion bank accounts. Realini ca of retirement to start Obopay in 2005. Today, Obopa of the largest service platforms in mobile banking a backing from the likes of Nokia. It counts India am most important markets — enough to make Mun second headquarters. On a recent visit to Mumbai, l 52, spoke to Business Today's ***Suman Layak*** *ab firm's plans for India over the next 12 months. excerpts from the interview:*



PHOTOGRAPHS BY RACHIT GOSWAMI/WWW.INDIATODAYIMAGES.COM

CAROL REALINI
FOUNDER & CEO, OBOPAY

What are the kinds of mobile payments that can be made with an Obopay account in India?

In India, it is a bank-led service as that is what regulations now allow and we have a tie-up with YES Bank for that. (In Kenya and the United States, the bank account is not mandatory and one needs only an account with Obopay.) We may tie up with other banks, too. We also have a tie-up with Nokia to use their retail outlets as centres where people can open their accounts. There are two kinds of accounts: "Easy Pay" and "Easy Send". The first allows people to pay their bills and recharge their phones while the second is more like a bank account and allows people to send money to others who also have an account with Obopay. There is a two per cent charge for money transfers and payments.

In Pune, where we have our first pilot in India, we have also tied up with 200 merchants who are ready to accept mobile payments for their goods. So we have people with "Easy Send" paying with their mobile phones at these merchant outlets. To pre-load their accounts with cash, people need to deposit it at the Nokia retail outlets. We allow people with "Easy Pay" to pay for their friends, and relatives' mobile phones also. We often see someone walk in with a lot of cash and charge his Obopay account with the money and then use that available credit on the phone to re-charge multiple pre-paid mobile accounts.

Our next pilot is in Chandigarh. We are doing small towns first as it is easier to sign up a critical mass of merchants. Two hundred is a good number for a place like Pune. What we find is many of the merchants do not yet accept credit card payments but are happy to accept mobile payments. (That may be because) you do not need a swiping machine or a dedicated telephone link.

You are present in the US, Kenya and India. How varied is the experience?

If we talk about regulations, India has the toughest rules while Kenya is the most liberal and the US is somewhere in the middle. In Kenya, a receiver of money need not be an Obopay account holder, and he can redeem the cash at any retail outlet. In the US, a receiver can send the money to his bank account or his MasterCard account. In Kenya, people have their identification cards, which is a great help. India is also working on unique identification numbers. Opening an account in India takes about a day as we have to

In Chandigarh, we will work with companies that have a field force so that money can be transferred as and when they need. A lot of regulatory changes are happening in India now and we are working with the Reserve Bank of India so that we can bring more services like money transfer to any phone in India.

You have taken two companies public. How different is Obopay from those companies, and at what stage of its investment cycle is it in?

My earlier companies were technology companies. When I came back to work, it was because I was inspired by the big idea — using mobile phones to take banking to the unbanked. We had to be a service provider and we had to be something like a PayPal or a Western Union and not like SAP or Oracle. This is a very large global opportunity. I cannot talk about how the company will move to raise capital in the future, but what I can say is Obopay is the best funded mobile banking company in the world. So far we have raised a total of $140 million from the Essar Group, Nokia and Qualcomm.

At Obopay, I have done things I have never done before. Meetings were most painful — we would have mobile phone technology people talking about things like "mobile terminated text messages" and banking people who would react with a blank look. It worked the other way round, too. When the banking guys would say that the banking regulators would not allow something, the technology guys would ask: What is the need to tell the regulators at all! Now we understand each other better in the company.

You have a global president based out of Mumbai. India seems to be growing in importance in your scheme of things...

Deepak (Chandnani) came on board to run our India operations. Then, we quickly put him on to the global and the other in Mumbai. It is a very convenient time difference. I talk to Deepak at the end of the day and then again at the beginning of the next working day. One CEO is always on the job all the time.

India presents a huge opportunity. Even now 90 per cent of all transactions in India are in cash; and there are 12 million merchants. Today, two-thirds of our employees are in India and we do most of our technology innovations out of our offices in Bangalore. In the US, people carry a whole lot of cards in their wallet — India might just be able to leapfrog that and some people may just go on to using their phone as a wallet instead of ever using a card.

You did a pilot with Citibank that was not scaled up. What went wrong?

People who used the service liked it. For some reasons, Citibank chose not to complete the pilot. Our takeaway from the pilot is that mobile payments have to be integrated on to a bank's website; in the Citibank pilot it was activated from a separate website that users were taken to. We are in discussions with other private and public sector banks in India. But 2008-09 was a challenging time for banks and they are still trying to come to grips with that. Banks missed the Internet; they were late. I do not think they want to miss the mobile payments bus, too.

Is China one of the markets that is on your radar?

The next will be Senegal in Africa in a tie-up with Société Générale. From India we will also look at going into neighbouring countries like Bangladesh, Pakistan and Sri Lanka. We are not looking at China right now as the regulations there are a little more complicated. We also want to do international transfers of money, but we have to work on that a little more as regulations are tougher for international money transfers. ⊙

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Profiting from Europe's Pain

Indian outsourcers gun for public sector contracts in Europe as governments scramble to cut costs and rein in debt. RAHUL SACHITANAND

Tata Consultancy Services (TCS) CEO N. Chandrasekaran has always been quick on his feet. No wonder then, as a cash-strapped UK government was looking for ways to cut costs early this year, TCS was among the first to knock on its doors. In mid-February and early March, senior executives from India's top information technology (IT) outsourcer were in talks with the Personal Accounts Delivery Authority, or PADA, for a possible $800-million (Rs 3,680-crore) tech outsourcing deal.

Chandrasekaran personally spearheaded the campaign, expending weeks before finally hitting pay dirt with the government agency. PADA administers the National Employment Savings Trust, a national pension scheme covering some seven million people.

The TCS-PADA deal is, perhaps, one of the largest from Europe's insular government agencies, traditionally used to keeping much of their work in-house. In a way, it's emblematic of the troubled times on the Continent. The economic meltdown has impelled governments to cut costs sharply. According to data from the European Union, all but one of the group's 27 members are running a deficit well over three per cent of GDP, the limit prescribed by the EU itself. In Britain alone, the budget deficit has ballooned to around 11 per cent of GDP, leading freshly-minted Prime Minister David Cameron to ring in the biggest round of budget cuts since World War Two. In Germany, the budget deficit has increased to 5.5 per cent of GDP, pushing Chancellor Angela Merkel to follow Britain's lead.

As a result, government agencies like PADA of the UK are performing a policy somersault of sorts and considering outsourcing — from within Europe and even beyond —

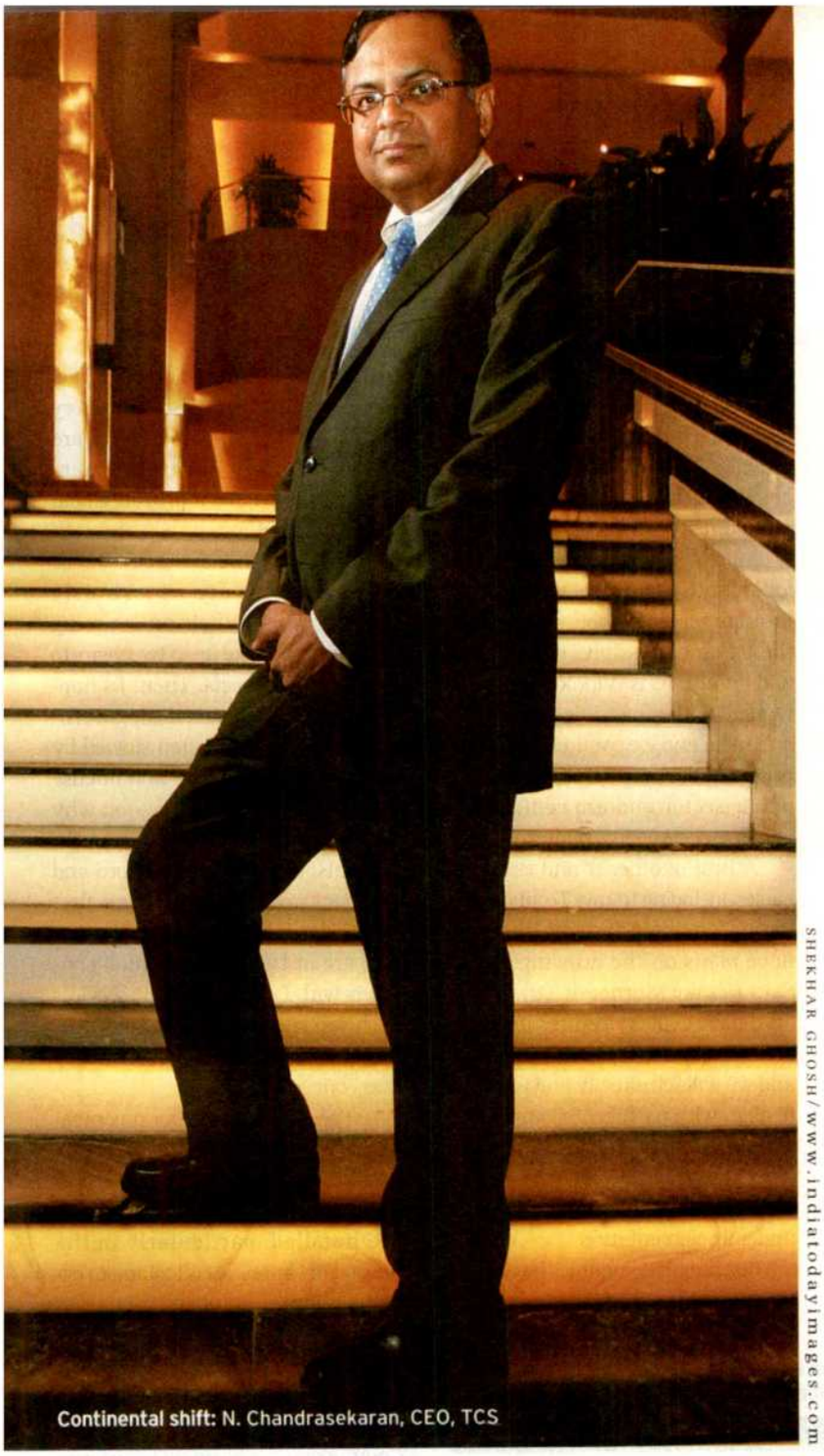
DESTINATION CONTINENT

Europe's public sector holds promise...

- Government agencies spend over $80 billion annually on outsourcing.
- Cost cutting spree could see a big jump in outsourcing budgets.
- Proven global delivery model gives Indian companies an edge.
- Government agencies are exploring partners for joint ventures.

... but it won't be smooth sailing.

- Public sector may prefer to deal with local outsourcers.
- Several projects bogged down by data security and job loss concerns.
- Expect repeated contract renegotiations to pare costs.
- Shipping jobs to offshore locations is frowned upon.



Continental shift: N. Chandrasekaran, CEO, TCS

SHEKHAR GHOSH/www.indiatodayimages.com

to streamline operations and become leaner and more efficient. "If service providers can take 15-20 per cent or more off your annual IT operational costs or 7.5-10 per cent off your total IT spend, why wouldn't you try it?" reasons Jessica Hawkins, Associate Analyst at tech research agency Ovum. Small wonder, then, that outsourcers like TCS, Wipro Technologies and Genpact have all set sail for European shores.

And there does appear to be a large enough — and relatively untapped — market for outsourcers to chase across government agencies in Europe. According to estimates from a clutch of offshore advisors, public services companies across Europe forked out a staggering $80 billion (Rs 3.68 lakh crore) on IT and business process outsourcing (BPO) contracts last year. It's seven times what the Indian government will spend on the Bharat Nirman programme this fiscal. This could potentially double in the next five years as the outsourcing drive gains traction with countries like the UK, France, Italy, Germany and Spain likely to account for roughly two-thirds of the market.

Says Uma Mahesh, Vertical Head, Government and Education, Wipro Technologies: "European public sector firms could use a combination of outsourcing and emerging technologies such as cloud computing to cut costs." Industry experts, such as Duncan Aitchison of outsourcing advisory TPI, say that this trend will follow the north-south divide in Europe, with Britain taking the lead, followed by the Netherlands, the Scandinavian region, and then other countries like Germany opting to first outsource, and then offshore, IT and BPO work.

So, here's the challenge for Indian companies. They will need to build an onsite presence and work with local bodies to prove that jobs won't be shipped overseas and instead, conversely, outsourcing will create fresh employment locally. "The first step will be about outsourcing and not offshoring... vendors need to prove they can consolidate assets and improve efficiency," says A.S. Lakshminarayanan, Head (Europe), TCS.

Already, global vendors Capgemini and Steria are showing the way by setting up joint ventures with local government bodies, primarily in Britain, buying out captive centres and expanding their onsite presence in countries such as the UK and Germany.

"The issues of job loss balanced by costs saved are tricky to achieve," admits Sachdev Ramakrishna,

Rohit Kapoor, President and CEO, EXL

"There will be continued momentum in outsourcing but it will largely be to an on-shore or near-shore location"

Director (Marketing), Steria, which set up a joint venture with Britain's National Health Service, or NHS. In this instance, the two companies set up a central body to autonomously take decisions on which place to locate a centre, how many people to hire, and which tasks to possibly offshore for even greater cost saving. "This has worked well for us," says Ramakrishna, "we returned $1 million (Rs 4.6 crore) to NHS as savings from this contract and we've successfully transitioned work offshore."

Indian companies are walking down the same road. TCS, for example, has over 3,000 people in the UK and continues hiring. FirstSource, a BPO provider, has just opened a delivery centre in the UK to target local government contracts.

More companies are expected to follow suit. Genpact is interested in projects across Europe, especially in the UK, and, possibly, in Germany and France. As is Wipro. "Wipro has worked with governments in the US and India and we continue to pursue opportunities in UK and the European public sector and are confident of our prospects," says Mahesh.

A host of other IT and BPO companies, including Infosys Technologies, Patni Computer Systems and WNS, have plans on the drawing board. Says Keshav Murugesh, CEO of WNS: "We have delivery centres in the UK and Romania to tap this opportunity and we will sell directly and also look to align with partners." Competition will be stiff from European vendors who already have the first-mover advantage with a few pilot projects under implementation.

But Indian companies have their own USP. Points out Sridhar Vedala, Managing Director of offshore advisory Quantum Step: "Indian vendors are ahead of many European peers because they have a proven global delivery model."

There are problem areas. Public services firms are notoriously bureaucratic in their outsourcing plans and can take up to two years to decide on contracts. Then, as happened in the TCS-PADA deal, government contracts are often slowed by contract renegotiations and intense public scrutiny. It's the reason why despite being bullish on their prospects, key outsourcers such as Wipro and Genpact are yet to win their first contracts in this market, and others, too, are at best piloting small contracts with European public services agencies. The success of TCS, and other foreign players, though, will keep everyone interested.

"The key challenge for IT companies is to understand how the government works, how decision making is done and how processes are handled, particularly in the European Union. TCS is looking to expand its public sector portfolio," says Lakshminarayanan. As evidence of TCS's strength in the European public sector market, he cites two key deals it has bagged — with the European Commission for business transformation and infrastructure services and Cardiff Council in infrastructure management and support.

While Europe's debt crisis has created lucrative new opportunities for outsourcers, the challenges for India's IT and BPO firms make for firsts in many ways. And they are not going to be alone in the market for long. ⊙

SLOW AND STEADY...

Europe's public sector is slowly, but surely, turning to outsourcers. The UK is in the vanguard of the movement.

DEAL	OUTSOURCER	VALUE	DURATION
PADA (UK)	TCS	**$800** million	10 years
NHS (UK)	Steria	Joint Venture	N.A.
Norwegian Tax Authority	Capgemini	N.A.	N.A.
Child Trust Fund (UK)	Capita	**£430** million	10 years
Cleveland Police Authority, UK	Steria	**£211** million	10 years

NA=Not available

Source: Companies

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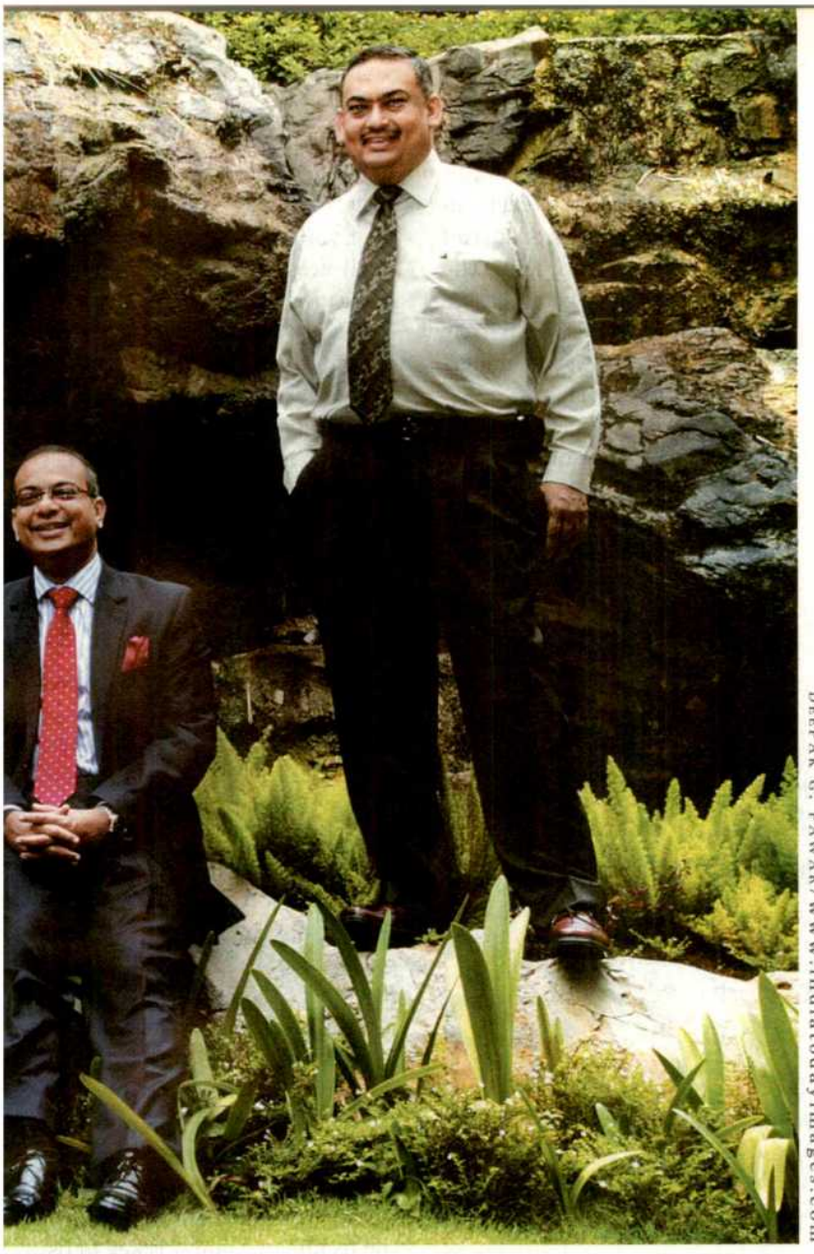
The panellists: (L to R) **Ashutosh Vaidya**, CEO, Wipro BPO; **Ganesh Lakshminarayan**, VP (Consumer Services), Dell; and **Deepak Patel**, MD, Aditya Birla Minacs

"Becoming Global Is Not an Option, Becoming Global Is a Business Necessity"

As hopes of an economic recovery brighten — despite clouds over Europe — the Indian BPO industry is looking decidedly upbeat. The $14.7-billion industry is back in the fast lane once more, with industry body NASSCOM expecting a growth of 15 per cent in 2011-12. To discuss the way forward for this industry and find ways to overcome key challenges, BT and NASSCOM assembled some of the BPO industry's brightest minds for a roundtable discussion on analytics, multi-centre delivery and platforms. Raman Roy, Founder and CEO of Spectramind; Ganesh Lakshminarayan, VP (Consumer Services) at Dell; Ashutosh Vaidya, CEO of Wipro BPO; Keshav Murugesh, CEO of WNS; and Deepak Patel, MD of Aditya Birla Minacs, met in Bangalore on the sidelines of the NASSCOM BPO Summit for this event. Excerpts from the roundtable, which was moderated by **BT's RAHUL SACHITANAND:**



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Raman Roy, Founder and CEO, Spectramind; **Keshav Murugesh**, CEO, WNS;

What's your perspective on the third wave of India's BPO industry. Has it really reached the next stage of evolution?

ROY: I think there is a lot happening. The Indian, or, offshore, model for taking the BPO industry to a larger context is no longer under debate. It stands proven. What is exciting is that India's BPO industry is moving from a cost play to a revenue play. Now, more and more companies are participating in this model and helping their customers enhance their revenue. The involvement of offshore into something that is core and fundamental is increasing.

Ashutosh, is the move to analytics a natural evolution for the BPO industry?

VAIDYA: In one sense it is and the fields are all related. To me, the analytics field is widespread. It could be analytics for different pieces of the customer's pie. This started very basically, as call centre/CRM analytics, and this is not where things end. You could extend analytics to do market research, equities and many other things as well. Yes, because people saw that good work could be done, they opened up, and said take on more, and the industry responded intelligently.

PATEL: To me, it is not about call centres and analytics. In the last 100 years, industries have gone ahead and bought out the complete value chain required to deliver products and services. In the next 20-30 years we will see companies focus only on 20-30 per cent of their value chain and look for an ecosystem of partners that will deliver the rest. We see the BPO opportunity to be 5-8 times the opportunity in information technology (IT) over the next 5-10 years.

Raman, when you talk of the existing (linear) business model, how much more can it be flogged?

ROY: As an industry, we are at five per cent of what is outsourced, so theoretically there is 95 per cent headroom. I don't think there is any constraint on what can be bought over. Practically, we have to consider the natural constraints and what we can do. Even today, the appetite for what can be taken on is much larger than what is available. Amongst ourselves and all of us sitting here, we can hire 20,000-30,000 people over the next 12-15 months without batting an eyelid. But, we're struggling for people.

MURUGESH: My view is that every one of my clients is completely underpenetrated. I want to give them more attention, focussing on areas they need help with. I keep telling my guys not to run behind other clients. If we have 10 clients delivering 50 per cent of our revenue, there is something

"As an industry, we are at five per cent of what is outsourced, so there is 95 per cent headroom"

Raman Roy, Founder & CEO, Spectramind

great that is happening with them. But, as I meet these 10 clients, I still see huge potential within them.

Keshav, how will the BPO industry's global evolution pan out?

MURUGESH: We see ourselves as a global player, but we do the heavy lifting out of India. We are in four or five locations around the world and are looking to expand to more places. The reality is that as we get after deals — particularly after all that is being discussed around the world — we are talking to our customers in Europe and we propose our experience and expertise to customers we want to bag. Then we allow them to decide what has to be delivered from, say, Eastern Europe and from the Philippines.

LAKSHMINARAYAN: Becoming global is not an option, becoming global is a business necessity. In the company I run, which is global, having 12 different partners is difficult to manage. So, what we look for is global scale.

Raman, is India losing some of its competitiveness and the edge?

ROY: I think the rate of growth could be far more aggressive if we had the people. Are we losing our competitive advantage because of this? Well, we are losing a chunk of the business that used to come to us. Primarily, going overseas was for foreign languages, either to Europe or South East Asia. Now, we're going to the Philippines, and elsewhere, because we're unable to find people. It is really a pity that we can't expand in India because it is more profitable.

Ashutosh, can the use of technology and platforms better serve the domestic market, which is the next big opportunity for providers?

VAIDYA: India's market will evolve the way global markets have. Indian market and customers are the same and we have potential domestic customers who will not talk to us unless we promise the same quality of service as the global companies we service. We have shown customers that, in some cases, the value we've delivered is actually more than the actual contract we signed.

MURUGESH: India is a market we can't ignore. We have to learn to deliver in this market and to make a profit here, too. Right now, we are playing a few deals and we're yet to engage with this market — we don't have a sales team in place yet, for example.

Deepak, is there a minimum size you must reach to be viable as a global BPO player?

PATEL: Not really. What you're looking for, if you're a niche player, is to be a really deep domain player. If you're going to be broad-based, you need to have scale and size to be able to come up with the right solutions using a mix of delivery capabilities across the world. One customer may want a heavier India component, another may prefer to have larger Latin American operations or in the Caribbean. For a publicly-listed company, we would prefer to have a size of $500-750 million to be relevant.

LAKSHMINARAYAN: I don't think the scale has to mean dollars. As a buyer of services, we look for geographic, functional and technical and process scale. The niche players will exist, but the consolidation will intensify.

What are the new opportunities in the BPO sector?

MURUGESH: I believe there are white spaces where this industry has huge potential. I think the whole area of logistics and transportation... if you look at the top 10 companies in shipping, most of them are privately owned and are dramatically stressed and need to reduce costs. If you look at some areas such as retail, they used to say we own the customer, we own the technology and it is key to us. Today, they have no choice. If they want to survive they need to work with us. If you look at the public sector and what is happening with public debt, all sorts of work is being outsourced. There is scope for delivery of citizen services, which can be offshore and onshore. The whole lift-and-shift model may not work.

ROY: Today, a lot of what we're milking are the *Fortune* 1000 or 1500 companies. We play in the mid-market and we have 9,500 customers in the mid-market and there is no competition on an offshore basis. For some companies this may be sub-scale. You have to show customers what you can do from India, without him ever coming here. ⊙

"I don't think the scale has to mean dollars.... We look for geographic, functional, technical scale"

Ganesh Lakshminarayan, VP (Consumer Services), Dell

"We see the BPO opportunity to be 5-8 times the IT opportunity over the next 5-10 years"

Deepak Patel, MD, Aditya Birla Minacs

"India is a market we can't ignore. We have to learn to deliver and make a profit here, too"

Keshav Murugesh, CEO, WNS

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***Suhas Baxi** Managing Director, Demag Cranes India; and CEO for Region- India for Demag Cranes AG, Germany. Demag-India is a subsidiary of Demag Cranes AG (Germany), a world leader in material handling technology.*

Currently, he is also the Chairman - Pune Zonal Council of the Confederation of Indian Industry (CII).

How did your company negotiate the downturn & v the vision for the future?

Especially in India, we recognized that the economic slowdown will be short liv we continued to invest in new product development and organization developm through training and talent management. In fact our investment decision in the n was taken when the slowdown was at its peak. This approach was clearly driven b Demag Cranes AG (our parent) has in the India story. This trust allowed us to eme stronger on product range, manufacturing capacity and a stronger team to execute for the Indian market.

Our new process cranes product range is the direct result of investment in product de activity in India. The Indian team helped us grasp the local aspects of design, su and prevailing maintenance practices. What we have now is a new and superi range suitable for Industrial customers in India.

The new factory in Chakan which was built in less than a year will now help us larger share of Indian market for Industrial cranes. Our vision around the world first choice company in our markets".

Kindly elaborate on the expansion plans of Dem India with reference to Product range

The product range for Demag Cranes in India includes Cranes, Hoists and Driv We have so far supplied more than 2,000 cranes to automobile, enginee and infrastructure companies. The product range for India incorporates local en standards, user and industrial environment to provide the best of German engi material handling systems for industrial applications. We have now enhanced ou portfolio for industrial cranes and are now able to offer cranes up to 250 t load. This range will allow us to offer solutions for more than 90% of industrial he applications. These products will now be manufactured in our Chakan Factory.

Apart from industrial cranes, we also offer hoisting systems and driv for the Indian market. These solutions have essentially evolved international product range.

Lastly, we also market products from our system company Gott Technology for port automation.

The plant, which is located 30 kilometres from Pune, is desig production capacity of up to 600 Standard Cranes and 100 Proce per year. Parts for the KBK crane construction kit are also manuf the location – up to 24 kilometres of KBK rails can be produced per spare parts logistics operation has also already been running from

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Getting a Handle on Poverty

Hand in Hand's goal is to help millions of entrepreneurs bloom.

N. MADHAVAN

Resource pool: This self-help group's savings are more than its borrowings

If you happen to be in Sweden and pick up a teddy bear (they call it Bo Bear there) for your child back home, don't be surprised if it has an Indian connection — and a very humble one at that. It could well have gone all the way from Pondicherry, where an enterprise run by 50 poor Dalit women makes them. Till a few years ago, they were just housewives struggling to contribute to their families. Today, apart from being equal shareholders in Bo Bear Production Unit, as the enterprise is called, they earn Rs 150 for every doll they stuff and stitch for exports.

Bo Bear Production is one of the many success stories of Hand in Hand, a non-governmental organisation or NGO working to eliminate poverty by helping the poor set up enterprises. Started in 2002 by Percy Barnevik, shortly after he retired as non-executive Chairman of ABB Ltd, the power and automation giant, Hand in Hand today operates in Tamil Nadu and Madhya Pradesh and Karnataka. So far, it has created over 4.60 lakh entrepreneurs (4.59 lakh small enterprises and the rest medium businesses) through 38,947 self-help groups or SHGs involving 5.61 lakh beneficiaries — all women. And it has disbursed Rs 400 crore as credit, either directly or through banks.

Barnevik has taken Hand in Hand's model to foreign lands as well: it is today present in Afghanistan, Brazil and South Africa. In Afghanistan, Hand in Hand has managed to create close to 6,000 entrepreneurs (both men and women). These entrepreneurs have taken up carpet weaving, embroidery, tailoring and baking.

H.K. RAJASHEKAR/www.indiatodayimages.com

"If we can achieve this in a country like Afghanistan, we can do it anywhere," Barnevik told *Business Today* over the phone.

Hand in Hand's model is held up by five pillars. It uses SHGs to create entrepreneurs, focusses on eradication of child labour, creates a framework of basic health care, sets up citizen centres for access to information, and helps build projects to protect the environment.

"Poverty is multidimensional. It is not just lack of money. Poverty is also triggered and sustained by lack of education, awareness and health," says Kalpana Sankar, CEO, Hand in Hand, Tamil Nadu.

N. Jayaseelan, Chief Operating Officer (COO) of the NGO in Tamil Nadu, explains that they not only offer microcredit but follow it up with training. "We prefer to build the capacity of rural women by helping them improve their communication skills, learn how to work as a team and become financially literate," he says. "Then we follow it up with specific entrepreneurship training."

Hand in Hand is strict about the savings habit: the women actually have to prove that they can save before they can get loans. "Savings means running the enterprise well... Savings do not have to be big, but have to be regular," Barnevik says.

According to Sankar, the CEO, the total savings by the women in Hand in Hand's SHGs over the past six years exceeds Rs 100 crore.

Another uniqueness of Hand in Hand is that it works with the government and community instead of bypassing them, says Kalyani Rajaraman, the COO in charge of child labour eradication and health projects. "We do not want to replicate schools all over. We work with the local community to improve the infrastructure at the local government-run schools so that dropout rates can be curbed and kids are better educated," she adds.

THE ROLE MODEL

What sets Hand in Hand apart.

Scale: With 40,000 people in the field, it is creating 1,000 entrepreneurs a day

Integrated approach: Microfinance, plus training, education, health care

Savings: Loans only after savings record; then training

Exit strategy: Builds a project, involves locals and exits when they take over

Eradicate child labour: Set up 'bridge' schools to make up for a gap in education

H.K. RAJASHEKHAR

After-school learning: Children at a tuition centre in Pazhaseevaram village

Hand in Hand runs 57 transit schools for children with a gap in their education and the community plays a part in all these schools. This strategy also helps the NGO to exit a project once it is made sustainable. "Once we get all the kids in the village into the school and put up systems for the community to watch over them, we exit the panchayat, categorising it as a child-friendly panchayat. The community then takes the responsibility, though we do watch over it from a distance," adds Rajaraman.

So far, Hand in Hand has rescued 47,786 children from child labour and a few of them have even taken up jobs in companies such as Infosys after completing their education. It has declared over 600 panchayats as child-friendly.

KALYAN CHAKRAVORTY

Multinational NGO: Percy Barnevik, former Chairman of ABB, plans to showcase the model to the United Nations

For Hand in Hand, scalability is important. "We ask people coming up with projects whether we can reach a million people. Otherwise, we are not interested. Our aim is to create four million jobs in India in 10 years and 10 million worldwide," says Barnevik

"What we are doing is releasing the power of women, who are born entrepreneurs. Give them funds and training, they take off," he adds. For him, aid is not good. He cites how hundreds of billions of dollars have flowed into Africa as aid but half the countries in the continent have not started to develop yet.

Barnevik, who retired from ABB when it had over $19 billion in revenues, ensures that Hand in Hand is run like a company. "I find that 95 per cent of what I learnt in my 45 years in multinational companies is applicable to charity. It is a matter of recruiting, keeping and developing the best people. Create teamwork and have a vision that the employees can buy into and are proud of," he says.

So each field worker has a target with follow-up action, and is rewarded for good performance. Every month, the NGO produces a 20-page report on key performance figures.

"I feel at home when I review these reports," he says. Hand in Hand has 2,500 employees and 37,500 volunteers.

Having tasted success in India, Barnevik is dreaming big and wants to recommend the Hand in Hand model to the United Nations for use in other needy parts of the world. "By working with the United Nations we hope to spread the model even wider," he says. To benefit one billion poor people, 250 million jobs will have to be created. This can be done only with the help of other organisations, he adds.⊙

Fitting in as a Fresher

Landing a job is tough, fitting in can be tougher. SAUMYA BHATTACHARYA

No business degree could have prepared Sagar Jain, 27, for what he encountered a few days into his job as a management trainee with PepsiCo India, the beverages and snacks major. On a scorching June afternoon in Faridabad, Haryana, a company retailer of many years was refusing to take anymore packets of PepsiCo snacks Lay's and Kurkure. Reason? The retailer's current lot had been damaged by rats. He was adamant that PepsiCo take back the damaged packets before giving him fresh stocks.

RULES OF ENGAGEMENT

- Learn the ropes of your role. Competence is the best route.
- Be a team player. Collaboration matters more than brilliance.
- Ask questions – even at the cost of sounding silly.
- Look for a senior who can mentor you informally.
- Don't be in a hurry to network. First establish yourself.

Jain's MBA from the Indian Institute of Management, Lucknow, had not trained him for rodent-created situations. So, he fell back on company policy, which ruled out accepting such returns. "Half an hour of explaining the policy and I was still stuck," recalls Jain.

Then, the seasoned area manager under whom Jain was working as part of his induction stepped in. "Look," he told the retailer, "take the fresh stocks and you can recover your loss." Says Jain: "I wasn't looking beyond the policy, but the area manager sorted out the issue with

curious problems. Right out of the campuses, they face new situations in their jobs every day and are in a hurry to make a mark.

There is even a term for this: expectation mismatch. Across India Inc., employee attrition is the highest for those at the entry level, and within the first year. "For instance, among the frontline insurance firms, attrition is alarming. Some of the companies are replacing almost the entire organisation every year," says Pankaj Bansal, CEO, PeopleStrong, a human resources (HR) consultancy.

Business process outsourcing or BPO is another sector where attrition is high. But here the bigger problem is finding the right talent, Bansal adds. Six years ago, Genpact, a leading BPO firm, decided to investigate why people leave. The answer boiled down to expectation mismatch.

For new hires, it's crucial to

at work. Stay up to date on the sector, the company you will work for, and its competitors. All this will help you understand decisions taken by your company.

Amitabh Chatterjee, 23, is a Process Associate with Genpact in Gurgaon. With the help of Genpact's pre-hire process, Chatterjee knows exactly what he is in for. When he was selected as a potential hire, the first thing Genpact did was to call him up and "de-sell" the company by getting him to see the pluses and minuses of his job. Chatterjee seemed okay with his role.

"But close to 15 per cent potential hires drop at this stage," says Indira Sovakar, Genpact's Vice President of HR. Sovakar has simple advice for new hires: If you're not completely sure about something, ask. To this end companies such as Genpact, Maruti Suzuki and PepsiCo India

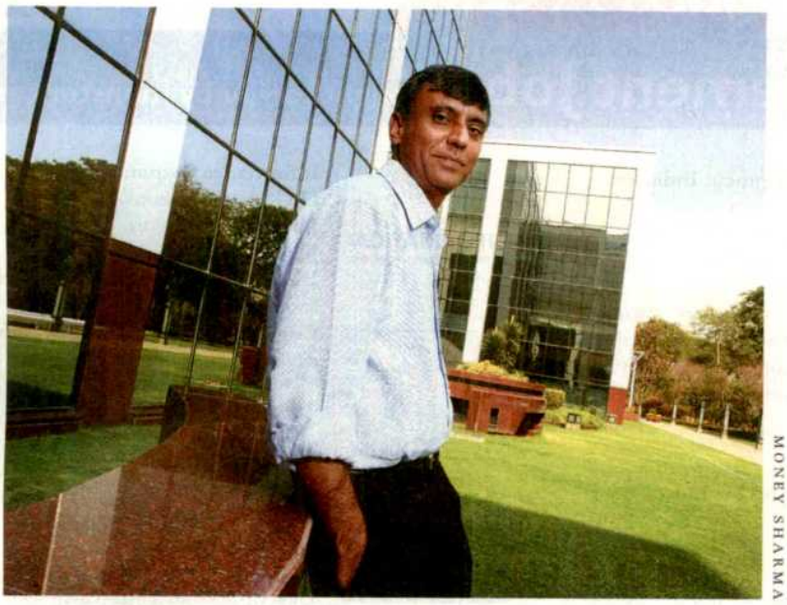
know how to work in a team."

Team work is one quality that is valued across industries, especially when campus hires adjust to the workplace. "At PepsiCo India, collaboration is a part of our

SHEKHAR GHOSH/www.indiatodayimages.com

Padmaja Alaganandan, India Business Leader, Human Capital Business, Mercer India

"An organisation is such a large canvas. If something is not working out, seek new opportunities in your organisation"



MONEY SHARMA

Pavan Bhatia, Vice President, Human Resources, PepsiCo India

"Youngsters need to understand the value of a virtue called listening"

leadership competency," says Pavan Bhatia, Vice President, HR, PepsiCo has an intensive one-year induction process across functions and levels of business.

"The first thing we do is tell our new hires — 15 management trainees currently — the vision of the company and what their career growth in PepsiCo is all about," says Bhatia. Once these trainees complete their induction, each will have a pyramid of 50 people working under them. "The challenge is how to make these 50 people look in the same direction," says Bhatia.

S.Y. Siddiqui, Managing Executive Officer for Administration, looking after HR, finance and information technology (IT) at Maruti Suzuki, India's largest carmaker, suggests a three-pronged strategy. "Have reasonable functional knowledge, cultivate the capability to think, analyse and adapt, and learn to work in a team," he says.

At Maruti Suzuki, the attrition rate is 12 per cent for management graduates and 10 per cent for technology hires. The company has a year-long induction with outbound training, buddies and mentors thrown in. Maruti has hired 210 graduate engineers, 20 management trainees and 15 executive trainees this year.

At companies such as Microsoft, innovation will keep you ahead of the curve. Joji Gill, Director, HR, says Microsoft hires people for aptitude and attitude. "We do not hire just for the IT skills. We select candidates that have a high aptitude for innovation," she says.

And if you are in a hurry to network and be visible in the organisation, wait for a few months. Says Vijay Srivastava, VP, HR at UnitedLex, a legal process outsourcing firm: "It matters to be visible, but wait for six months. That's the time when you have settled down in your work." UnitedLex has 350 employees and hired 50 freshers this year.

The good news for the new hires is that India Inc. understands the changing face of GenNow and is tweaking its work cultures to assimilate the new generation.

According to Padmaja Alagan-andan, India Business Leader of Human Capital Business at Mercer India, an HR consultancy, research shows the new workforce is driven by four needs: To acquire recognition and prestige, to bond, to comprehend and seek knowledge, and to defend themselves.

"The drives vary in individuals. But, in GenNow, the most prominent drive is to acquire immediate tangible and intangible rewards," she explains. Drives to bond and comprehend come next. "This generation likes to seek novelty, push frontiers and they seek to be trusted," adds Alaganandan.

And, yes, in your drive to get going in your first job, be realistic about what you can accomplish. ⊙

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Location: Chennai .
Job ID: 8359630
Description: Responsible for research, design, and implement high level architecture in Sharepoint and review detailed designs.

Linde
Lead Engineer - Civil & Structural
Location: Vadodara
Job ID: 7965569
Description: BE/ME (Civil) with min 10 exp in Oil & Gas projects & having exp leading projects. Exposure in static analy design, RC/Steel structures etc.

Conseco Data Services (India) Pvt Ltd
Architect/Designer
Location: Hyderabad
Job ID: 8142036
Description: B.E /B.Tech /M.E /M.Tech /MCA (should have 60% and above across career) are only accepted. Experience with JAVA/J2EE, WebSphere etc.

IP Soft India Pvt Ltd
Head -R&D
Location: Bangalore
Job ID: 8407333
Description: Over 8 years of server-side J development experience. Bachelor's degre Computer Science or equivalent. Datal design experience.

Red Hat
Manager - Enterprise Sales
Location: Delhi
Job ID: 8358324
Description: 7 - 10 years IT experience with background in software sales, ability to work with partners, system integrators and OEM.

Knight Frank India Pvt. Ltd
National Head - Valuation
Location: Mumbai
Job ID: 8022507
Description: Must have 10 years exp. strong number crunching skills and p experience in valuation in real estate indu Should be an MBA (Fin)/CFA/CA.

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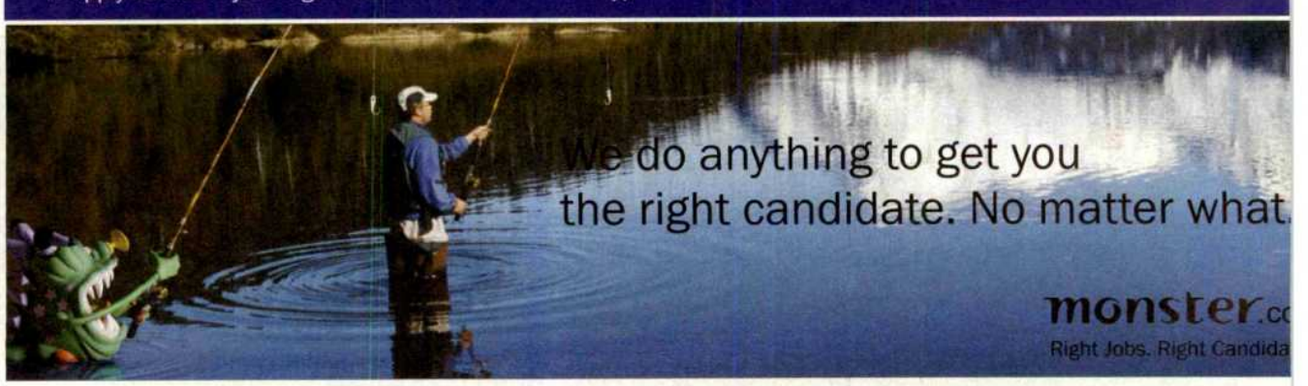

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Description: Should be conversant with software testing of business applications and functional exposure to CRM modules is a great plus.

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Sr. System Admin
Location: Mumbai
Job ID: 8226461
Description: Administer and maintain the systems infrastructure. To ensure smooth functioning of servers globally with availability as per defined SLAs.

Persistent Systems
Java Developer
Location: Pune
Job ID: 8407273
Description: Applicant must have relevant Java / J2EE experience; expertise in JSP, Servlets, JDBC: Hibernate, WebShpere, Spring, Struts, EJBs, Ajax etc.

CMS Info Systems Pvt Ltd
Software Programmer
Location: Mumbai
Job ID: 8365804
Description: Incumbent should possess knowledge on .net Technology preferably ASP.net, VB.net, C#.

NetApp
DPG QA Engineer
Location: Bangalore
Job ID: 8295498
Description: Experience in software test planning, test design, test scripts and documentation. Experience in Snap Vault, Snap Mirror technologies.

Patni Computer Systems Ltd
Java developers
Location: Chennai
Job ID: 8408814
Description: Looking for Java developers with extensive experience using Struts, Spring, Hibernate.

Symantec Corporation
SQA Engineer / Sr. SQA Engineer
Location: Chennai
Job ID: 8179895
Description: Should have worked on test automation projects in shell/PERL scripting on UNIX (Linux/Solaris) platforms. Experience with .NET framework.

Tech Mahindra Limited
Siebel CRM developer / Lead
Location: Noida, Pune
Job ID: 8408725
Description: He/She must have exp. in Siebel EAI; good knowledge in multiple methodologies available for integrating various applications with Siebel.

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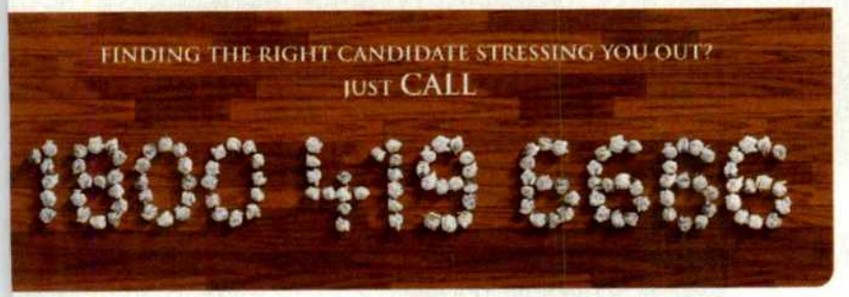

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Sr. Executive / Executive – Sales
Location: Chandigarh
Job ID: 7814672
Description: The person shall be responsible for achieving the Sales target within the assigned territory through dealers / distributors.

SIEMENS
Business Development Manager
Location: Mumbai, Pune
Job ID: 7120803
Description: Exp. in SAP solution s (Both services and license). Sales experier West India Region Sales (Maharastra, Gu Goa).

Quadlabs Technologies Private Limited
Business Development Manager
Location: Noida
Job ID: 3482203
Description: Working closely with the marketing team to finalize the strategy for sales. Target based sales and revenue generation. Travelling for client meetings.

Infomedia 18 Limited
Key Account Manager
Location: Pune
Job ID: 8391187
Description: Maintaining accurate forecasts and reports. Prospecting, Identif and developing new customers. Respon for individual targets.

Aakit Technologies
SAP Solutions Sales Mangerial
Location: Mumbai, Pune
Job ID: 8136095
Description: Will be responsible to end-to-end sales. Sell SAP solutions by targeting prospective customers for SAP implementation.

NEC India Pvt Limited
Business Development Manager
Location: Delhi
Job ID: 8346635
Description: Understanding custo requirements on security related proj opportunities. Promote NEC secu technologies to federal and state govts.

CIBER INC
Presales Professionals
Location: Bangalore
Job ID: 8317966
Description: Taking care of new Business Proposals. Exposure to RFPs, RFQs and RFIs. Working on offshore onsite models.

Cisco Systems (India) Private Limited
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Job ID: 8190435
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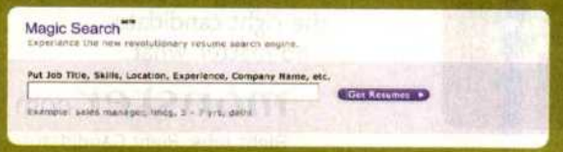

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Location: Chennai, Mumbai
Job ID: 8201358
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Location: Bangalore
Job ID: 8374548
Description: Tax Manager, specialized in the US taxation and FAS 109. Experience: 3-11 yrs. Qualification: CA

Capgemini Business Services (India) Ltd
General Ledger and Accounts Receivable
Location: Bangalore
Job ID: 8411590
Description: Total exp. 1.5 – 5 yrs. Any Commerce Graduate/Post Graduates. Skills: General Ledger/ General Accounting / Accounts Receivable (AR).

ACS, Inc.
Sr. Accounting Assistant
Location: Bangalore
Job ID: 7711614
Description: Strong knowledge of Customs, bonding and debonding procedures and submission monthly report to Customs in Form Er2.

Oracle Financial Services Software Ltd
Internal Auditors
Location: Mumbai
Job ID: 7945254
Description: Perform operational and financial audits of Oracle Financial Services Software Ltd & its subsidiaries and more.

Welspun Group
Manager - Taxation
Location: Mumbai
Job ID: 7760743
Description: Hand on experience of Sales Tax, Income Tax and other direct and indirect taxation. Filling of Returns. Handling TDS. Tax Calculation.

SIEMENS
Executive - Commercial
Location: Goa
Job ID: 7599163
Description: Includes product cosing, MIS, Financial Accounting, Audits, Commercial Activity of Factory tracking of Cost Reduction proposals.

Deloitte
IT Controls
Location: Hyderabad
Job ID: 8407218
Description: Perform audits in accordance to the Deloitte methodology. Manage day to day client relationships at mid and lower levels etc.

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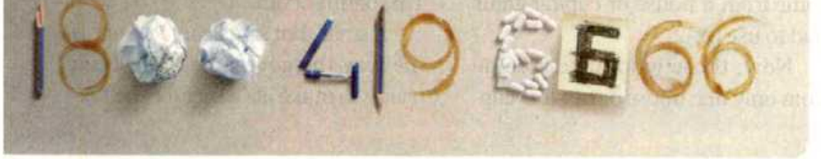

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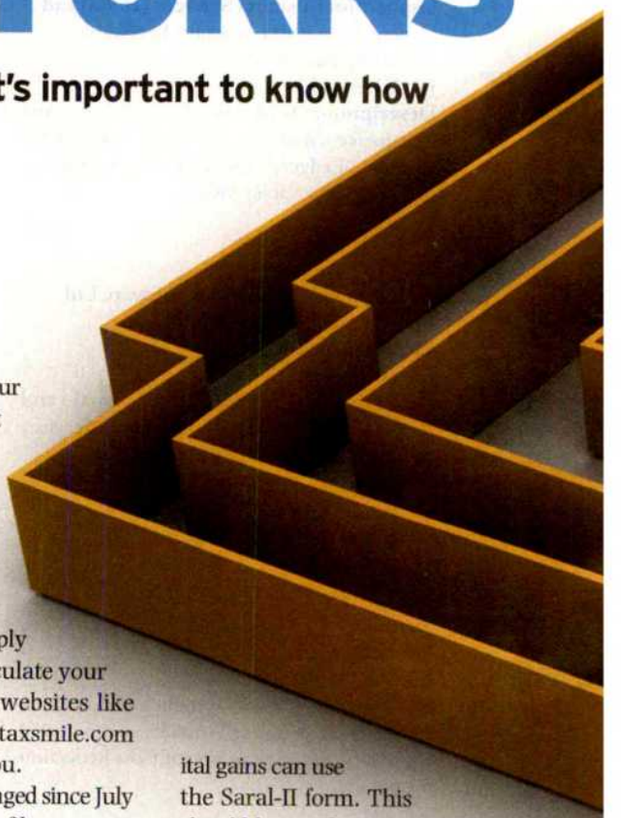
The Easy Way to File TAX RETURNS

With the deadline around the corner, it's important to know how to do the job with ease. BABAR ZAIDI



It's an annual ritual for most us. Come July, and there's the harried scramble to file our tax returns by the last day of the month. Most taxpayers will rush to banks to get receipts for tax deducted at source (TDS) and their account statements. The Income Tax Department will be flooded with PAN-related complaints. Some assessees will tweet, others will vent their angst on Facebook. The common grouse is almost always: "They Got My PAN Wrong...Again".

Filing returns, though, does not have to be so traumatic. A few simple steps can help you avoid the long queues of troubled taxpayers during the tax-filing season.

First, find out if you need to file your tax returns. If your gross taxable income before deductions exceeded the threshold for 2009-10, you have to file the returns. But, then, what constitutes income? And what is the tax rate? It's not that difficult. Just add up your income from different sources and subtract from it the various tax deductions available to you. Once you have found out your net taxable income, you can simply use a rate table to calculate your tax liability. Several websites like Taxspanner.com and taxsmile.com can do it simply for you.

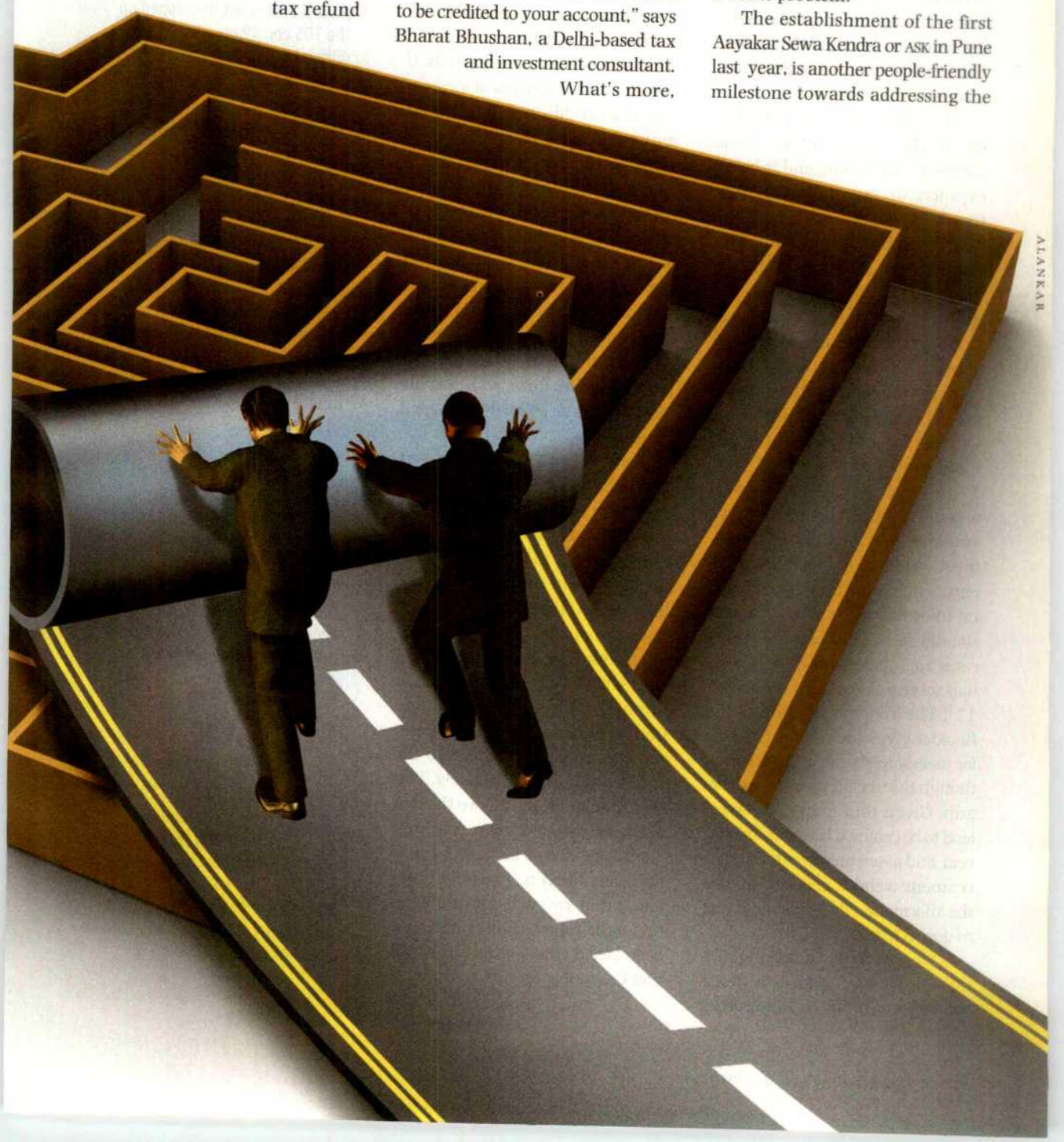
Not much has changed since July 2009 in the way you file your tax returns. The only major variations are the introduction of the Saral-II (or ITR-1) form and the broadening of its applicability. The two-page Saral-II is no different from the ITR-1 used till last year. The difference is that, till last year, those who had rental income from a house or capital gains had to use ITR-2.

Now, those who have income from only one house or tax-free capital gains can use the Saral-II form. This should be good news for taxpayers who had to wade through the eight-page ITR-2 just because they had a modest rental income or long-term capital gains from equities. "This change is likely to result in many ITR-2 users shifting to ITR-1 from this year," says Ankur Sharma, Director, Taxspanner.com.

A small, but significant, change is the way the government has been trying to make life easier for the tax-

payer. It is using technology to weed out the problems faced by the average person while dealing with the tax department. The refund banker facility under the Sevottam scheme, introduced a few years ago, ensures that excess tax paid is refunded to the taxpayer within a few weeks of the filing of the return. The tax refund is credited to the taxpayer's bank account. Of course, this is possible only if you have filled in your bank details correctly in the tax-return form. These include your account number and the nine-digit MICR code that identifies your bank and branch. "If the bank details are filled in correctly, it usually takes 6-8 weeks for the tax refund to be credited to your account," says Bharat Bhushan, a Delhi-based tax and investment consultant. What's more, you can now check the status of your tax refund online. Simply log on to incometaxindia.gov.in, click on the 'Status of Tax Refund' on the home page, key in your PAN, choose the relevant year and you will know whether the assessing officer has sent your refund or there is some problem.

The establishment of the first Aayakar Sewa Kendra or ASK in Pune last year, is another people-friendly milestone towards addressing the



ALANKAR

grievances of taxpayers. Taxpayers may e-mail their problems to ask@incometaxindia.gov.in, where income tax officials will scrutinise the complaint and redress it in a time-bound manner.

Encouraged by the response, the Central Board of Direct Taxes has set up two more ASK units at Kochi and Chandigarh. Incidentally, the Bureau of Indian Standards has conferred the ISO 15700:2005 certificate for excellence in public delivery system on CBDT and the Income Tax Department for the Sevottam scheme and ASK.

More such ASK units are being set up. The refund banker scheme covers 15 cities now and is being expanded to cover the entire country. "Technology is being introduced so that the Income Tax Department can enhance its capacity to handle the increase in the number of taxpayers and provide better services in a systematic manner," said Finance Minister Pranab Mukherjee at the inauguration of the Centralised Processing Centre of the tax department in Bangalore, in May.

However, Mukherjee's words appear a little too optimistic when you browse through the government website. For one, the tax department has not been updating vital information. The government site still does not have the latest tax rates applicable for the previous financial year (assessment year 2010-11). The Taxpayers' Information Booklet gives the rates applicable for assessment year 2008-09 even though the tax filing season has begun. Given that many taxpayers tend to be confused between financial year and assessment year, the government website needs to update the information that millions accept as gospel truth.

One way to avoid making mistakes in your tax returns is to use the services of an e-filing portal. These sites calculate your tax, help you fill in the form and file your returns. Some of these are so easy to use that they are virtually foolproof.

With the tax-filing deadline nearing, it is high time you collected details about financial transactions in 2009-10. Though the new tax forms do not require you to attach documents with the return, you still need them to fill the form. For instance, if you have income from salary, pension and interest, you need to mention the Form 16 and the interest details. If you have other sources of income, you need to fill in details about rent received, dividends, capital gains, deductible expenses, etc.

To fill the annual information return (AIR) section in the tax-return form, you need your bank account, credit card and mutual fund statements, fixed deposit receipts and details of purchase of immovable property. Also, remember that the assessment year is printed on the form, so a specific form will have to be downloaded for each year.

Regarding tax deducted at source, it has recently been made mandatory to include the receipt number on TDS certificates — this number needs to be mentioned in the tax return. However, the CBDT has clarified that this change will not be applicable for returns being filed this year. Of course, if all your taxes for 2009-10 are paid in full and there is no refund due from the Income Tax Department, there is no pressing need to file your tax returns immediately. You can do so any time before the end of the assessment year. And July 31 this year can be just another Saturday for you. The only problem is that you will not be able to revise the returns if they have not been filed by the due date. Nor will you be eligible for any refunds.

Courtesy: Money Today

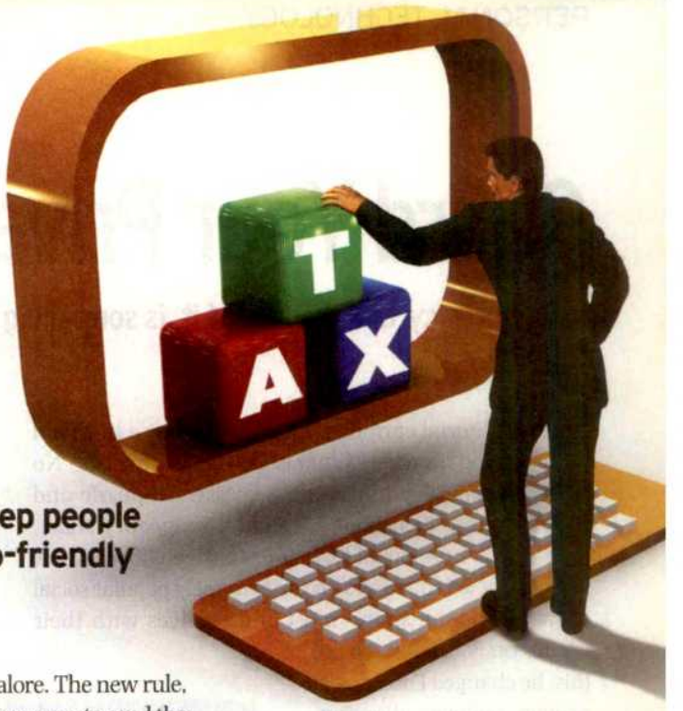
DON'T MAKE THESE COMMON MISTAKE

1 INCORRECT PAN
Getting the 10-digit PAN wrong can attract notice f the taxman and a fine of Rs 10, for the slip-up. PAN is also required for other transaction: If you don't quote it, you end u paying a higher TDS rate of 20 Also, if PAN is not mentioned o the TDS certificate, it will be difficult to claim tax credit.

2 INCOMPLETE AIR
If you make a big-ticket investment or if your expenses cross a certain limit i year, mention these in the Annu Information Return. Mutual fun insurance firms, brokerages, cr card issuers and banks are sup posed to inform the tax depart if a client's transactions cross certain limit. If their reports an your disclosures don't match, trouble lies ahead.

3 DOUBLE DEDUCTION
Did you change jobs during the year and ge deductions from both employ To avoid scrutiny of your retu inform your new employer ab previous income so that taxe deducted accordingly. If you haven't done this, recalculate income and pay the outstand tax along with one per cent i est for every month of delay.

4 TREAT TDS AS TAX
For several types of income, tax is deduc source (TDS). This is not the of it because TDS is about 1 the income even though the payable by the individual co much higher at 30% .



Why Aren't You e-Filing?

It's time to debunk the myths that keep people from using this easy, efficient and eco-friendly mode of filing tax returns. BABAR ZAIDI

Indians are the most eco-friendly consumers in the world, according to a recent survey conducted by the National Geographic Society. However, not many of us know that filing taxes online can go a long way in preserving our environment and improving our reputation further. An estimated 27,500 trees are cut down every year because only 16 per cent of the 3.26 crore tax assessees e-file their tax returns, while an overwhelming 84 per cent take the physical route. In the United States, more than 70 per cent of the tax returns are filed online.

Why do 2.74 crore assessees prefer to fill out tax forms physically and then stand in serpentine queues to submit their returns? The real problem, it seems, is not poor Internet access or non-availability of computers. It has more to do with the mindset and misconceptions that taxpayers harbour about e-filing. We debunk some common myths so that readers may feel encouraged to use this easy, efficient and eco-friendly mode of filing their tax returns.

MYTH: I'll need a digital signature to be able to e-file my tax return.
REALITY: You need a digital signature only if you want to file your returns completely online. You won't need one if you e-file your returns and then post a signed ITR-V form to the income tax office in Bangalore. The new rule, which requires a taxpayer to send the ITR-V form by post, has made the submission process very convenient.

MYTH: There is a greater chance that e-returns are picked up for scrutiny.
REALITY: Returns are scrutinised at random and the selection procedure has nothing to do with their being filed online or physically. In fact, there is a greater probability of a physically-filed return inviting scrutiny. The information filed in physical returns is ultimately fed into the computer by operators. If there is a typing error in this process, the discrepancy is captured by the computer and the taxpayer can be served a notice. On the other hand, e-filing portals reduce the chances of errors because the tax is calculated as you fill in the form. If the result is different because of a typing error, you can go back and rectify the mistake.

MYTH: My tax and income details are not safe if I file the return online.
REALITY: All registered e-filing portals send the tax returns uploaded by assessees to the Income Tax Department. The government website uses the latest software to make it fully secure. There is very little chance of it being hacked.

MYTH: Why should I pay? Physical returns don't cost anything.
REALITY: E-filing through the government site is free. Some private portals also offer free filing. Others offer various packages. Also, consider the cost of your time and the environmental cost that Mother Earth pays for every return that is filed physically.

MYTH: The ITR-V form may get lost in transit or reach the Bangalore office late.
REALITY: Though the ITR-V form has to be sent to the Bangalore office by ordinary mail, there is very little chance of it getting lost in transit. The CPC is supposed to send you an acknowledgement within 8-10 days of receiving it. Ankur Sharma, Director of e-filing portal Taxspanner.com, advises e-filers to wait for 8-10 days before sending another ITR-V form. There's no need to panic because one has to submit the ITR-V form within 30 days of e-filing. However, if your ITR-V doesn't reach Bangalore in 30 days, your e-return will be void and you will have to file a revised return.

MYTH: I won't be able to revise my return if it has been e-filed.
REALITY: E-filed returns can be revised in the same way as those filed in any other manner. All e-filing portals allow you to file revised tax returns. ⊙

Guard Your Privacy Online

Online privacy, and the lack of it, is something that goes beyond Facebook. KUSHAN MITRA

An editorial cartoon by Jeff Stahler has a husband asking his wife, "What is an 8-letter word for 'No Privacy'?" while doing a crossword puzzle and she responds, "Facebook". To cut a long story short, Facebook's 26-year-old Chief Executive Officer Mark Zuckerberg felt that users on the extremely popular social network should 'share' most of their lives with their friends on Facebook. To do this, he changed Facebook's privacy policies, allowing the site's 400 million active users, including close to 10 million in India, to see much more of each other. Suddenly, you did not need to be a friend of a person to view his or her pictures, and changing back to a higher, more secure level of privacy became tougher.

Since the news broke over a month ago, Zuckerberg has been fighting battles in the world's media and been forced to do a turnaround on privacy. But there was a strange divide between younger and older users, with the younger more vocal about their loss of privacy. More importantly, Facebook suddenly brought the issue of online privacy back to centrestage. So, how much privacy is enough online?

The simple fact is that almost anything you post online, no matter how protected you think it is, can spread out. Take a picture, for example, that you might post on a social networking site where only your 200-odd friends can see it. Suppose one of your friends was to save that picture and forward it to his friends. Sooner or later it could reach the inbox of someone who you really don't want to see that picture.

So, the best way to protect your privacy is to not share too much in the first place. Going to the extreme path adopted by people like Himmat Deol, 31, a cinematographer, and to shun Facebook altogether might be a bit much. (Deol, despite being a long-time Internet user, claims to 'have his reasons' for not signing up.) Facebook is, according to this column, still an extremely effective way of keeping up with friends and relatives and is particularly useful in maintaining contacts that one might otherwise not have. A better path is, therefore, to be far more selective in what you share, even though we live in a digitised world where capturing information is easy. So, if your friend takes pictures of a wild bachelor /bachelorette party, do not think that you will hurt their feelings if you tell them not to post any pictures of the party.

The bottom line: you should not really trust websites with too much information. Not just because of the website's policies or security, but because of the people who frequent that site. For a cautionary tale, go take a look at a website called www.lamebook.com ⊙

THE DOS AND DON'TS

- Do not join social networks you have not heard of. Smaller social networks could be less concerned with your information.
- Please remember to read notices from any social network that you join intimating you of policy changes on sharing.
- On Facebook, adjust your privacy settings by selecting the 'Privacy Settings' option under the 'Account' tab on your home page.
- Be careful how much information you choose to share in the first place. You are the master of your own privacy online.

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Unleashing the Potential

The message is that companies should offer customised work experiences. VINEET NAYAR

Workforce of One
AUTHORS: SUSAN M. CANTRELL & DAVID SMITH
PUBLISHER: Harvard Business Press
PAGES: 268
PRICE: Rs 1,250

Mass customisation has become a rallying cry for marketers. By tailoring a mass-market product to meet the specific preferences of individual users, you can generate tremendous new value for both the customer and company.

In *Workforce of One: Revolutionizing Talent Management Through Customization*, Susan M. Cantrell and David Smith take this "market of one" idea and apply it to employees rather than to customers. Why, they ask, can't companies create value — in this case for both employee and company — by tailoring a job to the interests and unique talents of the different individuals holding that position?

The authors acknowledge that conventional human resources programmes, with their emphasis on standardised practices, do have some positive attributes. But if you want to hire, keep, and leverage the best talent in today's workforce — which encompasses four generations with widely diverse backgrounds, values, and skill sets — you need to treat each employee as a "workforce of one". That means replacing generic practices with ones that are customised to each worker's strengths, motivations, interests, career desires and the like.

The book describes a number of ways in which companies — from Best Buy to Royal Bank of Scotland, from Procter & Gamble to Google — offer employees customised work experiences without sacrificing managerial control or organisational scalability.

The aim is to tap into the workers' passion and "discretionary energy" — so that they in turn will help further the company's goal of creating a tailored shopping experience for each individual customer.

The book's message — that you get the best from your employees by demonstrating how much you value them — echoes the "Employees First" philosophy that I believe in. In fact, I see my primary task as CEO as empowering, encouraging, enabling, and "enthusing" employees to create value for customers.

I would argue, though, that the 'Workforce of One' approach, while a step in the right direction, may not be enough. To get extraordinary business results, you need to do more than change your "talent management" practices; you have to rethink your entire organisational structure.

There's another, more subtle, discomfort I have with the book's approach — one that perhaps reflects a slightly different view of human nature. A central theme of *Workforce of One* is that when companies cater to the unique and work-related needs of their employees, they respond with impassioned performance.

But my question is this: are employees primarily motivated by what they can get from their employer — or by what they are allowed to do by their employer? Will their potential be unleashed when a company gives them a job tailored to their needs? Or will they do their best work when granted the freedom and responsibility to make a real difference? These alternatives aren't mutually exclusive, of course. But I believe that most people value freedom and responsibility over a job tailored to their needs.

So, while I do subscribe to the aims set out in *Workforce of One*, I believe that you'll want to think about the best way to achieve these aims in your organisation. ⊙

Vineet Nayar is the CEO of HCL Tech. and the author of Employees First, Customers Second

I believe that most people value freedom and responsibility over a job tailored to their needs.

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Your Eyes Are Drying for a Break

If you spend hours staring at a computer screen, it's time to prevent eye fatigue.

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WARNING SIGNS

- Headache
- Pain in the eyes
- Burning of the eyes
- Dry eyes
- Blurred vision

THE 20-20-20 RULE

When in front of a computer:

20 → Look away 20 feet...
→ ... for 20 seconds...
→ ... every 20 minutes.

How often have you felt your eyes screaming for some rest while you are working away for hours on your laptop or in front of your desktop screen. Often? Then you are among a majority of workers across India Inc. who are turning a blind eye to eye fatigue. At the leading eye care facility Shroff Eye Centre in Delhi, the number of cases triggered by long exposure of eyes to computers is on the rise. "People are increasingly coming with severe eye fatigue problems," says Dr Noshir Shroff, medical director at the centre.

The problem is simply because you forget to blink as much as you should. Normally, the eyes blink 16-20 times a minute. Blinking helps keep the eyes lubricated and clears dust particles that can settle on the eyeball. But the rate of blinking slows to six or eight times a minute when a person is staring at the computer monitor, working on projects, writing innumerable mails and meeting tight deadlines. "When you are staring at a computer screen, the ciliary muscle gets tired. That's the beginning of eye strain," says Dr Shroff. The ciliary muscle adjusts the shape of the lens in the eye, helping it focus.

He prescribes a simple 20-20-20 rule to rest eyes. "You should look away 20 feet for 20 seconds every 20 minutes." While some workplaces may not have 20 feet of clear view indoors, the rest of the 20-20 rule is easy to follow.

An irritated or dry eye is a direct fallout of not blinking. Other problems that follow are occasional headaches, pain in the eyes, burning of the eyes and blurred vision. Eye fatigue is inevitably accompanied with strain to the neck and wrist.

When the ciliary muscle gets tired, we have a problem refocussing. "When your eyes look at a distance, they are totally relaxed. When the eye looks at something close, the muscles come under stress. That's when refocussing problem occurs," says Dr Shroff. This, typically, results in headaches.

While it's best to prevent dry eyes, if your eyes are often irritated doctors prescribe using eye drops called "artificial tears". "These work as lubricants and are available over the counter," says Dr Shroff. However, any recurring problem in the eyes calls for a check-up. "More so if a person is approaching 40," he cautions. That's because at that age, your seemingly common eye problems like blurred vision or headaches could be pointers to bigger issues like diabetes.

Beyond fatigue, how your office is lit plays an important role in how stressed your eyes are at the end of the day. "Glare is extremely harmful while you are working on computer screens," says Dr Shroff. If you sit under direct glare, it's time to ask your organisation to remove direct lights and reduce the glare. ⊙

perfect one.

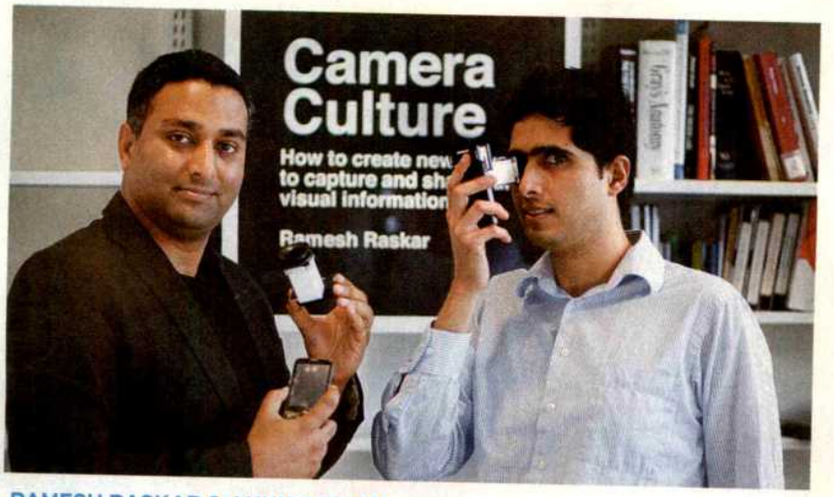
ANUSHA SUBRAMANIAN

LALITA GUPTE

The World Is Her Oyster

Over her career spanning 35 years, **LALITA GUPTE** has pretty much done everything there is to do in the banking industry. Now comes another feather in her cap. After securing a board-level position at the world's largest mobile phone manufacturer, Nokia, three years ago, Gupte now heads for French major Alstom, SA. Gupte, 61, who is currently a Non-Executive Chairman of ICICI Bank's private equity arm ICICI Venture, has been appointed on the 14-member Board as an independent director. "It's a non-executive post," is all that she says. But clearly Alstom is banking on her expertise and prowess. Gupte's appointment comes at a time when India has become a focus area, especially for Alstom's power and public transport businesses. By all accounts, another testimony of growing recognition of Indian talent in the global corporate world.

ANAND ADHIKARI



RAMESH RASKAR & ANKIT MOHAN

The 'Vision'aries

These two Indian engineers working at MIT's famous Media Lab are part of a team that has come up with an ingenious way of using mobile devices to diagnose vision problems. Project NETRA — short for Near Eye Tool for Refractive Assessment and also the Sanskrit term for eye — aims to reduce eye testing costs considerably. It works by fitting a sensor on top of a mobile screen, getting the device to run the requisite software and then getting a person to use a simple toggle button to match different patterns. The big thing about the system is that it gives people in remote places access to relatively decent eye evaluating technology at affordable prices. If Indians can see clearer in a few years, they may have two of their brethren in Boston to thank.

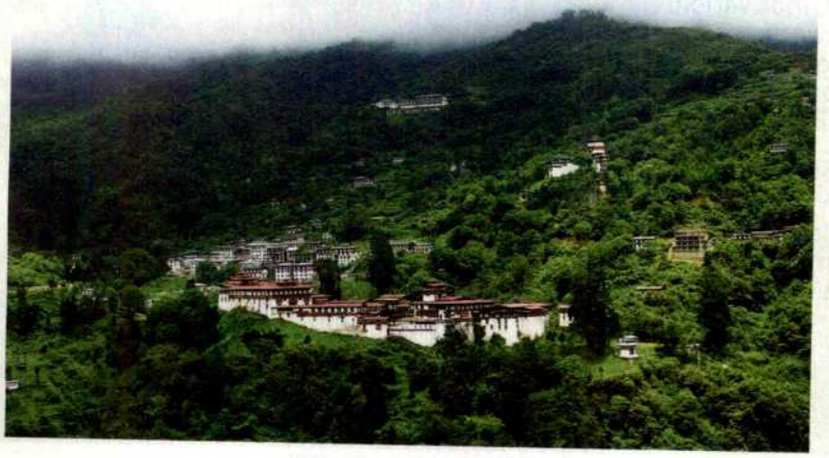
KUSHAN MITRA

BHUTAN

Land of the Thunder Dragon

This autumn, try out Bhutan, for trekking or simply to take in the great views. The skies generally clear from the second week of September, and you can take in the Thimphu dance festival (September 17-19). Take a Druk Air flight from Delhi or Kolkata to Paro, an hour's drive from capital Thimphu. Overall, rates are surprisingly reasonable, but autumn is the peak tourist season so plan well in advance. Places to see: Bumthang and Punakha. October to December is the period for river rafting. ⊙

SOMNATH DASGUPTA



SONY NEX-5

Small in Size, Big on Features

Want the interchangeable lenses feature of a single-lens reflex camera without the heft? Sony might have an answer in this camera that is expected to be launched soon. The NEX-5 is touted as the world's smallest and lightest camera with support for interchangeable lenses, and thanks to its magnesium body, it is tough, too. Luckily, Sony is making sure the camera has support for regular Secure Digital (SD) cards in addition to its proprietary Memory Stick (MS) cards. The camera will feature a 14.2-megapixel sensor and will be able to take pictures in low-light conditions as well, thanks to high-ISO sensitivity. Users who like to take video clips will be happy to know that the camera will also support shooting for 1080i high-definition video. At an expected price of over Rs 50,000, though, it costs a pretty penny.

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The leadership lesson I remember the best

Use the good times to prepare for the bad and the bad times to prepare for the good.

The political leaders I admire the most

Manmohan Singh and Sonia Gandhi.

The business leader I admire the most

Bill Gates.

A book/movie I would recommend on leadership

The Other 90% by Robert K Cooper.

What I think is the difference between a manager and a leader

Leadership is about vision, motivation, empowerment and mentoring. Management is about planning, deciding and executing.

All good managers are good leaders

Should be two sides of a coin but frequently is not.

As told to Rahul Sachitanand

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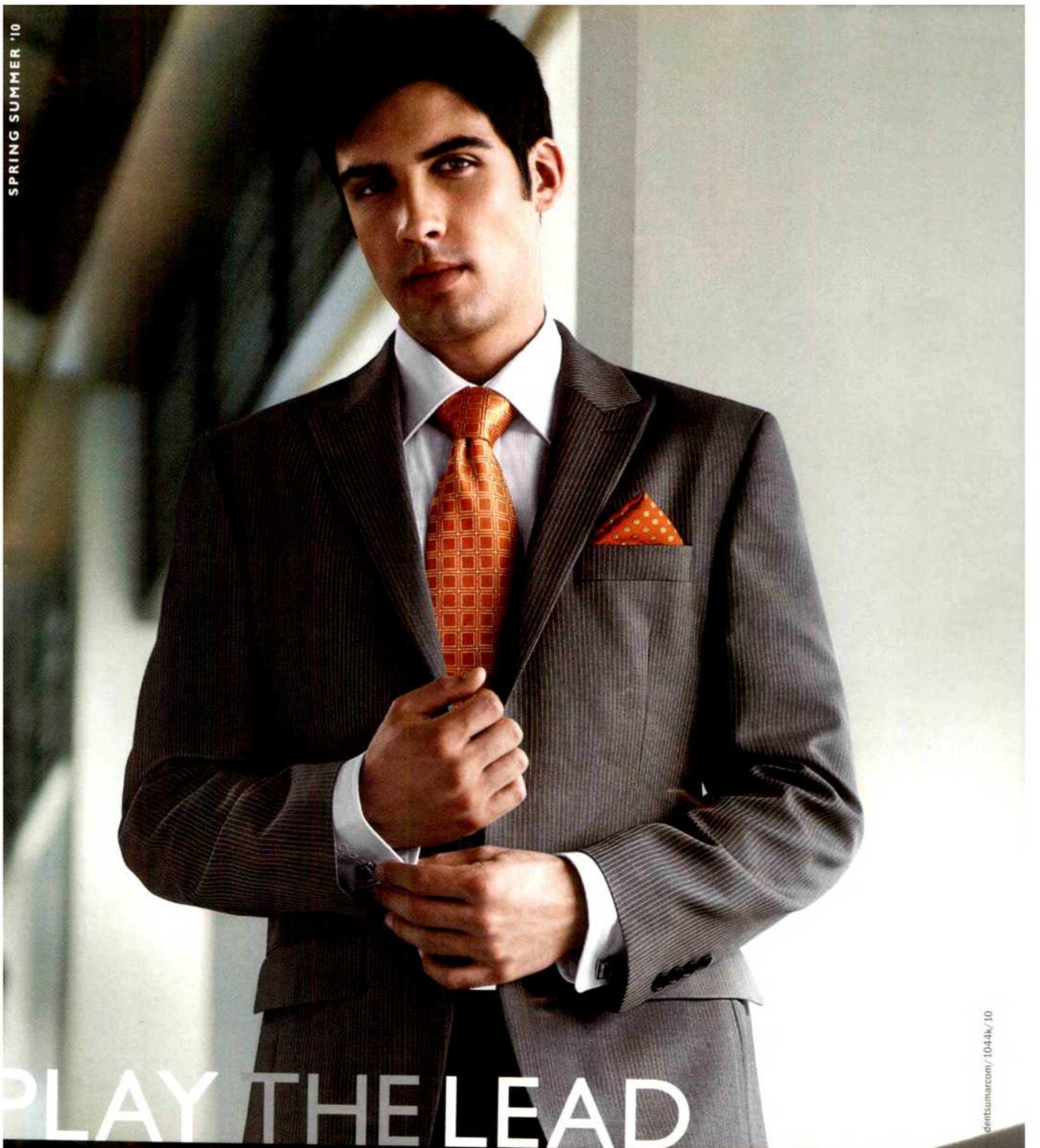

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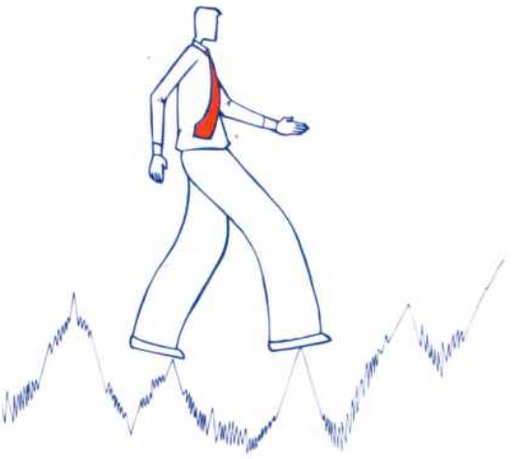

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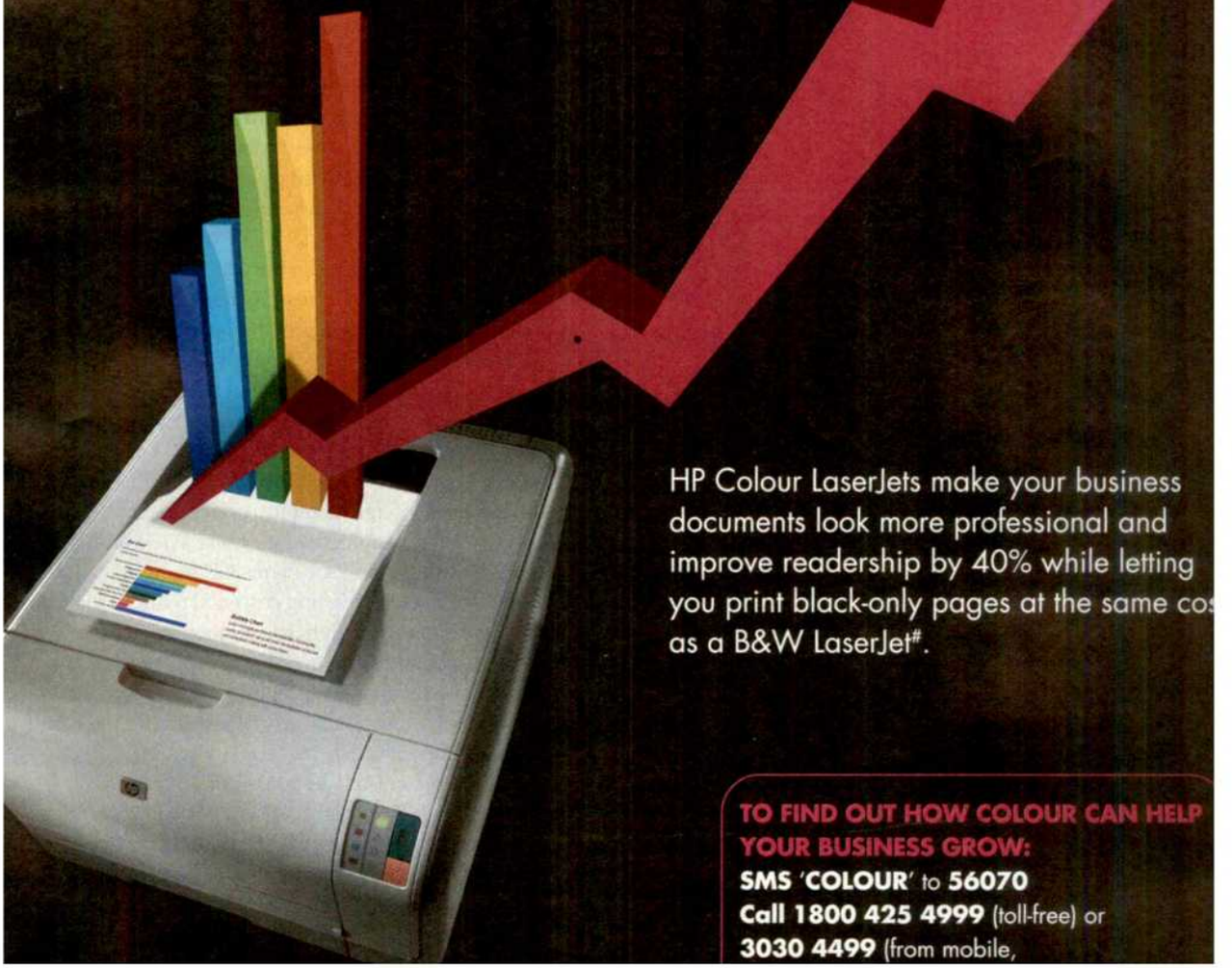

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From the Editor

India is a land of plenty. It is also a land of plenty of waste. If you suffer Malthusian nightmares of the Great Unfed Billions, think of the food we produce that we don't even consume. We could be buried by an avalanche of fruit (15 per cent of global output) and vegetables (11 per cent) or be drowning in a sea of milk (second-largest producer in the world). But cold storage facilities exist for only about one-tenth of the food and vegetables we produce, and for only about 0.08 per cent of the 90 million tonnes of milk we churn out. Our post-harvest wastage of food is estimated at over Rs 45,000 crore — enough to feed a good-sized European country. Do you wonder that food price inflation touched a high of nearly 13 per cent in July?

We are trapped in a riddle inside an enigma. Our growing per capita incomes fuel rising demand for packaged and processed foods, and if you go to a large supermarket in a big city, the shelves are groaning with thousands of brands. But we will likely buy Chinese apples, not home-grown ones from Kinnaur. Our farmers continue to sell their produce in a hurry and get poor and unprofitable prices because India lacks decent cold storage infrastructure. A farmer in Malda in West Bengal has to transport his mangoes all the way to southern India to package them, with huge spoilage on the way. An onion farmer near Nashik cannot get a good price because his crop could rot in the rain — the same monsoon that many economists blithely predict will lead to a lowering of food prices.

In early July, the government issued a discussion paper on foreign direct investment in multi-brand retail, opening the door a crack for giant food retailers like Wal-Mart and Carrefour. About time. The Eleventh Five-Year Plan said "modern food retailing... offers the prospect of lower marketing costs and reduced spoilage leading to lower prices for consumers and higher realisation for farmers".

So, here comes India Inc. in shining armour, riding to the drumbeat of huge opportunities. The Planning Commission is rightly wary, though. "(If) front-end investment outpaces the backward linkage with farmers, the immediate outcome may simply be higher imports and lower farm prices," it says.

Our team of writers, photographers and designers has assembled a thought-provoking cover package this fortnight, a cornucopia of conundrums starting on page 34 and bracketed by excellent views from Ashok Gulati (pg 40) and Siddhartha Roy (pg 66). You will find much to absorb, inform and surprise you. And as always, you will also read, and marvel, not just about cabbages, but about betting kings, about master-marketer Maruti, about how skincare makers are cashing in on our Great White Hope, and a lot, lot more.

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Back to Form

The recovery in the real estate sector (*Home Truths*, BT cover, July 25) spells good news for Indian industry at large. Real estate is one of the largest employers in the country, and has backward and forward linkages with about 250 industries. Sectors such as cement, steel, building material and others stand to gain from the rebound. **Vineet Achyut**, *Delhi*

Avoid Overkill

Having burnt their fingers in the property bubble burst of 2008-09, I wonder if real estate players are playing out their priorities well this time around. Your story points to a flurry of residential projects being launched at breakneck speed. This is the kind of development that should raise alarm in our minds. An oversupply in the residential market could again create huge mismatch between supply and demand and lead to market anomalies. **Bal Govind**, *Noida*

Small is Big

The rise in the number of small developers offering cheap housing, along with the easy availability of bank funding for both builders and buyers, is aiding the recovery in real estate. Of late, small developers have come to control a major portion of the residential real estate market in cities such as Bangalore, Pune and New Delhi's suburbs like Noida and Ghaziabad. In a corrected market, these small developers are offering apartments at discounted rates and they are finding willing takers. **Shashi Shekhar**, *Bangalore*

Corrections

Ranbaxy's New Glow (BT, July 25) reported the company's staff numbers at 4,000; it is 14,000. Also, Ranbaxy has clarified that Daiichi Sankyo's new unit Daiichi Sankyo Espha, not Ranbaxy Japan KK, will focus on generic drugs in Japan.

In the same issue, a quote by Deepak Parekh carried on page 18 wrongly described him as Chairman of HDFC Bank. He's Chairman of Housing Development Finance Corp Ltd. The errors are regretted.

Waka Waka...Fantastic

Soccer buffs all over the world revelled in the Football World Cup (*Time to Cheer and Bring on the Beer*, BT, June 27). The championships not only captured the imagination of people across nations, the euphoria it generated surpassed any other development in the same period. **Rajendra K. Aneja**, *Dubai*

Steely Resolve?

L.N. Mittal's Long Wait (BT, July 11) not only focusses on the steel magnate's investment plans for India but also gives out the investment scenario for the steel sector in the country. While Karnataka has been able to chalk up potential investment to the tune of Rs 2.73 lakh crore in the steel sector alone at the investors' meet held in the state recently, one hopes Mittal's plans for setting up steel plant in the state do not meet the fate it has in Jharkhand and Orissa. **B. Rajasekharan**, *Bangalore*

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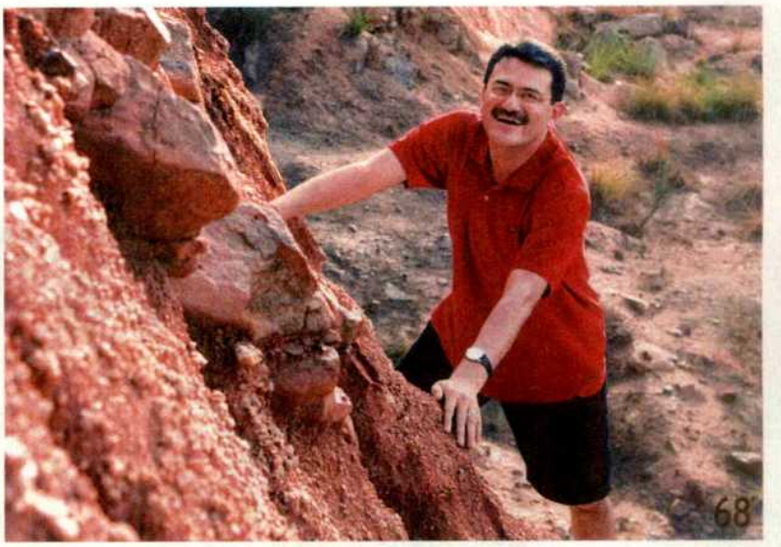

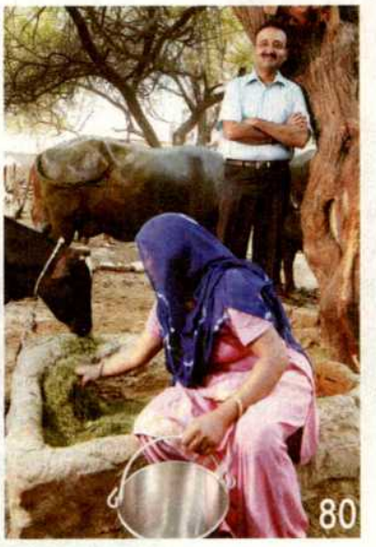

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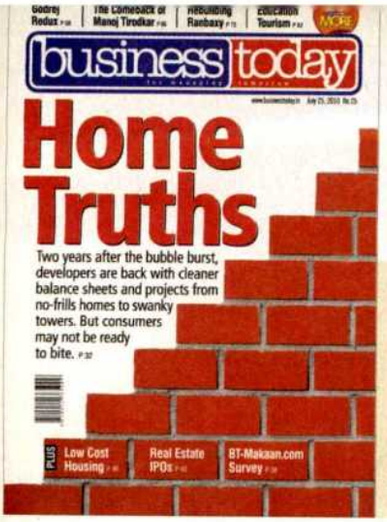

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Our cover story describes the nuanced recovery in real estate and how low inventory levels at realty companies, and not fresh demand, are driving up house prices. With low cost housing being considered the next biggest thing after the telecom sector, a clutch of new builders across the country is coming up with houses costing between Rs 3 lakh and Rs 7 lakh. Also, read about the tepid response to some realty stocks and how that is holding potential buyers back..

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Godrej Group's transition from a manufacturing-focussed company to one that is consumer-oriented is well on its way. As part of its focus on customers, the group is reaching out to the younger generation and consumers in rural India.

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FOR MANAGING TOMORROW

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ILLUSTRATIONS BY ALANKAR

Shield the Economic Recovery

RBI should maintain a benign interest environment despite inflation, argues Samiran Chakraborty

An economic recovery is well under way in India. However, managing this recovery is turning out to be as daunting for the Reserve Bank of India (RBI) as was battling the preceding crisis. In some ways, the policy choices might have become even more complex now because the days of uninterrupted monetary stimulus are over and policymakers are confronted with quite a few textbook dilemmas.

Industrial performance over the last few months has been nothing short of spectacular. However, inflation is turning out to be persistent, pervasive and painful. Remember, inflation was a negative one per cent (prices were declining!) just a year back and now it is comfortably breaching the double-digit mark. To put this into perspective, the last time when inflation stayed above 10 per cent for five consecutive months (between June and October 2008), the economy was reeling under a global commodity price shock with oil prices at $150 per barrel. Clearly, that has not been the case this time.

WHY MINT STREET IS WORRIED

The economy is humming again...

GDP at factor cost (at 2004-05 prices)

Source: Central Statistics Office, Ministry of Statistics & Programme Implementation

... but rising inflation is a party pooper...

Wholesale Price Index for all commodities*

*The frequency of 'all commodities' inflation data release has been changed from weekly to monthly w.e.f. January 2010

Source: Office of Economic Adviser, Ministry of Commerce & Industry

... which could lead to

- A series of rate hikes by the central bank
- Good monsoons become crucial for taming food inflation
- Managing inflation could become a bigger priority than growth

COMPILED BY RAJIV BHUVA

This inflationary episode is rooted in food prices and the first line of defence was from the fiscal side with a plethora of measures announced in late 2009 and early 2010. Monetary policy was kept on hold because it was mostly ineffective in addressing supply side issues. But non-food, non-fuel core inflation has shot up from 1.5 per cent in December to more than nine per cent now, clearly indicating that demand side factors are stoking inflation. Capacity constraints are emerging in some industries, pricing power is returning and recovering labour markets might have been pushing wages higher. More importantly, price pressures are not isolated to a few sectors but spreading fast. Clearly, the circumstances necessitate monetary policy action, but the pace at which RBI should move remains a debatable proposition.

To my mind, if India has to achieve its aspiration of nine per cent GDP growth, then the support from a benign interest rate environment becomes crucial. The astronomical industrial growth rates are likely to moderate as witnessed in the Index of Industrial Production data for May (11.5 per cent from 16.5 per cent in April). Private consumption growth still remains weak in the official releases and the growth momentum is carried forward only by a recovery in capital expenditure. Any spike in borrowing costs, then, is fraught with the risk of stunting investment growth. More so, given the uncertainty over the global growth outlook, exports are unlikely to provide much support to the growth momentum.

Let's consider inflation. With the recent fuel price hike, the direct and indirect effects are likely to keep headline inflation elevated in the near term, but it should start moderating substantially from the last quarter of 2010 as the base effect kicks in. So price increases this year are likely to be much smaller than the huge increases earlier.

RBI has actually been criticised for falling 'behind the curve' as real interest rates (the real cost of funds to the borrower, removing the effects of inflation) are still negative. This is potentially damaging for the economy as it discourages savings, in turn constraining the availability of funds in the banking system. But one must appreciate that part of the normalisation in real interest rates is likely to happen because of an expected fall in inflation. So, a substantial hike in interest rates might not be needed to correct that. But the RBI will need to stick to a hawkish rhetoric to ensure that inflation expectations and inflation acceptance remain under check.

We feel that baby steps along with a tough rhetoric are what the RBI will opt for. If the rain gods do not disappoint, then inflation should come down to around 6-6.5 per cent by the end of the fiscal year, and India could look forward to a Goldilocks combination of high growth and low inflation.

The author is an economist and Regional Head of Research, Standard Chartered Bank

WORDSMITH

(NEW WORDS IN BUSINESS)

Spacation

spah - kay - shun

What it means: Simply put, a vacation with several spa treatments thrown in. It's the ultimate vacation where the guest can choose from an extensive menu of usually overpriced spa treatments and can go home feeling relaxed.

The Untold Oil Reform

The UPA government plans to migrate to a new pricing regime for kerosene and LPG as well, not just petrol and diesel.

On June 25, New Delhi unveiled its boldest policy measure since the UPA coalition came back to power mid-2009 — it freed petrol prices and laid out a road map for gradually decontrolling diesel prices. But, the really big decision made by the group of ministers (GOM) tasked with endorsing the Kirit Parikh Committee recommendations was kept under wraps. The GOM, a top government source says, accepted the panel's proposals on kerosene and LPG — in effect, indexing the price of kerosene to agricultural growth and, more relevant for *BT* readers, LPG (liquefied petrolem gas or cooking gas) to growth in urban per capita incomes. Two-thirds of India's estimated Rs 70,000-crore oil subsidy is spent on keeping kerosene and LPG prices down.

Why Under Wraps

The Rs 3-a-litre increase in kerosene prices — the first in eight years — and pricing deregulation of petrol and diesel led to country-wide protests by Opposition parties. Decisions to raise fuel prices hurt their core constituency — the middle class and the poor — the most, and they cannot but publicly oppose such moves. That is perhaps why the government did not make public its decision on LPG and kerosene.

What Next

The decision will for sure spark off another confrontation with the Opposition. Still, it is no doubt a step in the right direction. The Chief Economic Adviser, Ministry of Finance, Kaushik Basu has pointed out that the additional government borrowings to fund subsidies will, in turn, exert upward pressure on interest rates.

So, will the UPA government have the courage to stand its ground? A climbdown can never be ruled out but, for now, it seems the government is ready to push through this important policy reform.

PUJA MEHRA

Origin: The word has become popular in big Indian cities over the last one year, with Indian hoteliers increasingly setting up spas – at last count, there were over 50 spas in resort and business hotels across India.

Current usage: A Spacation is the ideal getaway from the cut and thrust of corporate life.

NUMBERS OF NOTE

5 BILLION

The number of mobile subscriptions across the world, according to Swedish telecom giant Ericsson. Of these, 500 million are third generation (3G) connections.

Rs 1 TRILLION*

The expected size of the market for value added services in mobile telephony by 2020. The current size of the industry is Rs 15,000 crore.

2.5%

The revenue growth rate of the Indian telecom services industry in 2009-10, dented by a continuous tariff war, according to industry publication *Voice & Data*. The industry posted revenues of Rs 159,510 crore.

2.5 LAKH

Villages will be connected to wireless broadband and 3G mobile services by 2012 under a new broadband policy being worked upon by the Department of Telecom.

1.63 CRORE

The number of new subscribers added by telecom players in May, taking the total to 65 crore plus, according to the Telecom Regulatory Authority of India (TRAI).

*Rs 1 trillion=Rs 1 lakh crore

ALANKAR

Teaser Rates Are Back

HDFC, the largest player in the home loan business, has revived teaser rates although Chairman Deepak Parekh had earlier dismissed such schemes as marketing gimmicks. With the State Bank of India (SBI), the country's largest bank, turning aggressive in the home loan market, HDFC is not taking any chances. Here's a primer on the concept.

What are teaser rates

It's an introductory loan scheme offering attractive fixed interest rates for a short duration on home loans, car loans and credit cards to lure new customers. The fixed interest rate under the scheme — which is much below the market rate — turns floating at the end of the scheme period. SBI was the first to kick off teaser rates in January 2009. Other banks followed.

How they work

If a home loan seeker opts for HDFC's new scheme, he will pay only 8.25 per cent fixed rate of interest till March 31, 2011, and 9.25 per cent for the next one year, i.e., up to March 31, 2012. The interest rate, then, will shift to a floating rate (which can change anytime in a month or a quarter or a year, depending upon the prevailing interest rate) for the rest of the loan term, say, the next 17 years, if it's a 20-year loan. The interest rate for later years would depend on the prevailing interest rate environment.

What buyers should watch out for

While teaser rates are a compelling proposition in a high interest regime, buyers should always consider their repaying capacity when the rates become normal. Remember, the teaser rates only hold for the first two or three years and, subsequently, your home loan reverts to a floating rate.

Global trends

Globally, teaser rates are popular on home loans and credit cards. But they have come under intense scrutiny from regulators everywhere following the subprime crisis in the US. Many feel teaser rates led to defaults by a large number of home mortgage owners who could not service the loan after the teaser rates lapsed. The RBI observed recently that the growing trend of teaser rate offerings by banks and housing finance institutions is a "cause for concern".

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Gadgetips

India's heat, dust and moisture are really the worst things for a laptop. So here are a few tips to keep your laptop running smoothly.

Laptop Care

Switch it off before you take it for a spin: Laptop batteries are not at all heat-friendly. So, if you are moving from an air-conditioned room into your car, be sure to power it down – that is, shut it down fully and not just 'hibernate' – before you start it up in an outdoor situation. If you want to leave your laptop in your car (even the trunk), make sure it is turned off.

Beware of high humidity: Condensation can build up inside your laptop in humid conditions such as the monsoons. This can set off the moisture sensors inside your laptop in certain cases, voiding your warranties. Store your laptop carefully, and invest in some silica gel sachets.

Back up your data: Heat, dust and humidity don't just damage your battery life, they could damage the laptop's finely-tuned hard disks. If you are working with sensitive data and need to be on the road, we suggest that you buy a portable hard disk. -KM

A computer monitor that does a lot more and Audi's small SUV goes local

Picture This!

Samsung P2370MS Konnect Plus

Computer monitors are not exactly products that get you jumping with joy, but this new offering from Samsung will leave you pleasantly surprised. It is very easy to set up right out of the box, and has a multitude of connectivity options — high definition multimedia interface (HDMI), S-Video and Component High-Definition. Since it is a computer monitor, it does not have a dedicated USB slot — the only USB port has been marked 'service'. The best part is the very high-contrast colour range, which gives video and game playback through this 23" monitor a very vivid feel rather than the usual 'washed out' feel you get on most computer monitors. It functions very well as a regular TV even though the speakers are not great. With Full-HD (1080p) support, it actually makes very good sense as a monitor/TV for small offices and bedrooms.

KUSHAN MITRA

⊕ Great colour reproduction, Full-HD support, multiple connectivity options, great price.

⊖ USB support would have been useful, speakers could be better.

Price: Rs 16,000

Best in Class

Audi Q5 3.0TDI

Audi's smaller sports-utility vehicle (SUV) is now being manufactured locally at the company's factory at Aurangabad, which it shares with Skoda. Audi plans to sell 1,500 of these SUVs every year, and the version featuring the three-litre V6 turbodiesel engine is extremely powerful for a car of its size. Make no mistake, the Q5 is not very big, although it might look big. It is the same size as the Honda CRV, but smaller than the Audi Q7 and BMW X5. When the front seats are pushed back, rear-legroom is less than what you would expect. But the 237-horsepower engine makes this the most exciting car to drive in its class. Handling is superb, despite the increased drive height. Unlike some of Audi's sedans which have a rough ride and hard seats, the Q5 is comfortable.

⊕ Big engine, lots of power, fun to drive. Excellent parking sensors and reversing cameras make it a breeze to park

⊖ Rear seat space could be better, not designed as a chauffeur-driven vehicle. Middling off-road abilities

Price: Rs 46 lakh

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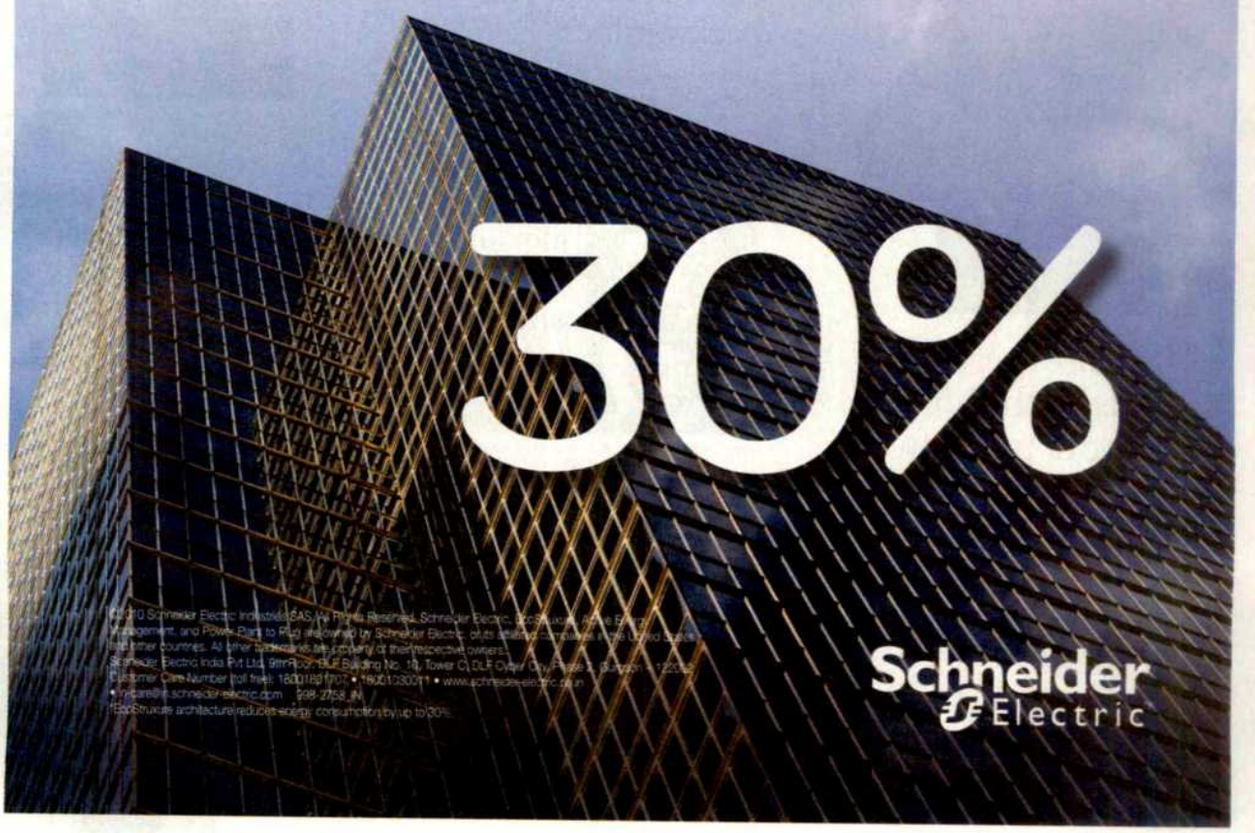

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In the Spotlight

MAHENDRA SINGH DHONI

In the Big League

This is what 'lady luck' means! A week after tying the knot with fiancée Sakshi Rawat, India's cricket captain Mahendra Singh Dhoni inked a blockbuster Rs 210 crore ($46 million) deal with talent management company Rhiti Sports Management, which will now manage all his endorsements. This instantly makes him the highest-paid cricketer in a year — overtaking master blaster Sachin Tendulkar. That's not all. Dhoni has entered the big league even by global standards. Tiger Woods still holds the record with earnings of $110 million (Rs 506 crore) in 2008. But the Rs 210-crore three-year contract with Rhiti Sports brings "Captain Marvel" at par with NBA legends Kobe Bryant and Michael Jordan at the joint No. 2 spot and ahead of the likes of David Beckham, Roger Federer and Phil Mickelson!

Of course, the Rs 210-crore deal only covers his brand endorsements. As a cricketer MSD pockets a cool $2 million (Rs 9.2 crore) annually. The lad from Ranchi is clearly busy raking in the moolah! DHIMAN CHATTOPADHYAY

Well Said

There are specific clouds on the horizon and we don't know if they are simple rain clouds... or there is a cyclonic storm ahead of us.

S. Gopalakrishnan
CEO, Infosys, on the impact of the crisis in Europe on the Indian IT services industry

Our objective is to ensure that we can come back to higher growth not for one or two years but on a sustainable basis for 7-10 years till we come out of poverty and backwardness.

Pranab Mukherjee
Finance Minister, to Agencies *in Mumbai*

Every consumer brand in the world is looking at China as the answer to its prayers. There will be lots of winners, and there will be many, many more losers who don't get it right.

Howard Schultz
CEO, Starbucks, in Harvard Business Review

CLASSIC BUSINESS QUOTE

What I do best is share my enthusiasm.

Bill Gates, *Chairman, Microsoft*

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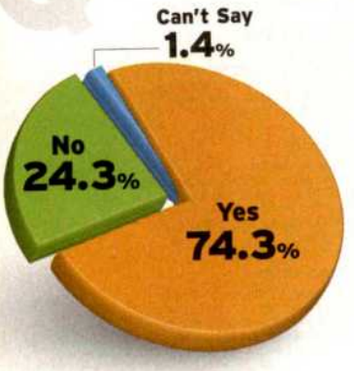
Will the government decision to free fuel prices have a long-term inflationary impact on the economy?



Results of BT Online poll; No. of respondents: 244

A majority concurs that freeing up oil prices would have a long-term inflationary impact on the economy.

The immediate impact of this policy will be a spike in prices, particularly the rates of manufactured goods. The category of fuel, power and lubricants has a weightage of over 10 per cent in the Wholesale Price Index.

In the mid- to long-term, any resurgence in economic activity would certainly push up crude prices and lead to an inflationary impact in India and across the world.

What would happen if crude were to breach $100 a barrel again? The resolve of the UPA government, then, to stick to its bold initiative could be severely tested. A rollback cannot be ruled out.

Next poll question:

Will rate hikes by the RBI cool down inflation?

www.businesstoday.in to cast your vote

BT-ERNST & YOUNG

Deal Watch

BIGGEST DEALS IN THE PAST 30 DAYS*

Mukesh Ambani: Back in telecom

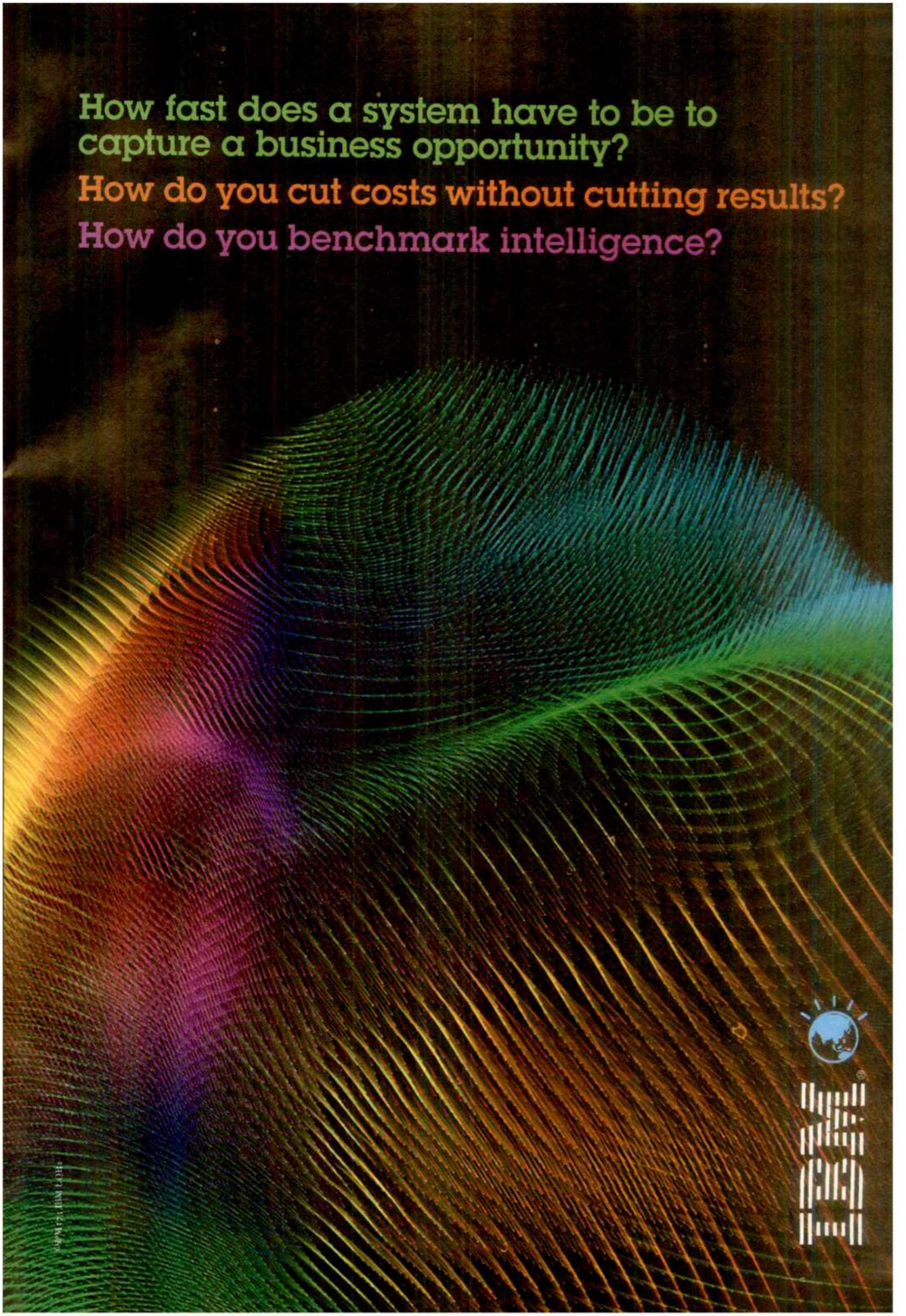
After scrapping the non-compete agreement with his brother Anil, Mukesh Ambani wasted no time in re-entering telecom. Ambani's flagship Reliance Industries Ltd (RIL) acquired a 95 per cent stake in Infotel Broadband Services Ltd for Rs 4,800 crore.

Infotel is the only pan-India winner in all the 22 circles for which broadband wireless access (BWA) spectrum was auctioned by the government. RIL plans to earmark additional capital for paying Infotel's spectrum fees and for the roll-out of its services.

Media baron Kalanithi Maran made heads turn by unveiling plans to acquire a majority stake in India's second-largest low cost airline, SpiceJet. The deal marks Maran's entry into the growing Indian aviation sector. Maran will acquire a 38 per cent stake in SpiceJet initially and subsequently make a mandatory open offer to acquire 20 per cent more.

TARGET	ACQUIRER	INDUSTRY	TYPE	DEAL VALUE (Rs crore)	STAKE (%)
Reliance Natural Resources	Reliance Power	Energy	Merger	6,631	100
Infotel Broadband Services	Reliance Industries	Technology	Acquisition	4,800	95
Kotak Mahindra Bank	Sumitomo Mitsui Financial Group	Financial services	Investment	1,370	5
Eagle Ford Shale	Reliance Industries	Oil and gas	Investment	1,237	45
SpiceJet	KAL Airways and private investor	Infrastructure	Acquisition	740	38
SpiceJet	KAL Airways and private investor	Infrastructure	Open offer	554	20
Metropolis Healthcare	Warburg Pincus	Health care	Private equity	395	NA
Maytas Infra	Saudi Binladin Group	Infrastructure	Investment	305	21
Monnet Power	Blackstone Group	Infrastructure	Private equity	275	13
Kyunghan Industry	Nakoda	Textiles	Acquisition	186	100
Eastern Condiments	McCormick	Retail and consumer products	Investment	163	26

Ernst & Young is a leading M&A advisor in India. The data is based on media reports and company announcements. Any decision on the basis of this information should be taken only after professional advice. *Business Today* or E&Y do not undertake any responsibility with regard to any such decision. * As on July 5, 2010 Not a complete list.


How fast does a system have to be to capture a business opportunity?
How do you cut costs without cutting results?
How do you benchmark intelligence?

BT-TAM

Most-watched Ads in June 2010

Bharat Sanchar Nigam Ltd, or BSNL, is a surprise entrant into our Most-Watched Ads list. This is a result of some heavy-duty promotion by the government-owned telecom operator of its 3G services to drive home its first-mover advantage. Interestingly enough, this ad does away with its celebrity brand endorser Deepika Padukone and settles for an unknown face. The idea is to keep the message simple and direct, to show how 3G is taking services to the next level. It remains to be seen whether the relatively low-key campaign will bring home the bacon for BSNL.

The Top Five...

1 LUX TOILET SOAP GRPs: 1,227 Seconds on air: 407,890

2 Colgate Total Clean Mint
GRPs: 964
Seconds on air: 445,410

3 Sun Direct
GRPs: 898
Seconds on air: 250,980

4 BSNL 3G
GRPs: 849
Seconds on air: 392,305

5 Dove Hair Fall Therapy System
GRPs: 845
Seconds on air: 261,020

... And the Other Twenty

RANK/BRAND	GRPs
6 Fair & Lovely Multivitamin	770
7 Surf Excel	760
8 Complan	757
9 Pepsi	732
10 Comfort Fabric Conditioner	723
11 Limca	703
12 Lifebuoy Total	610
13 Fair & Lovely Max Fairness	607
14 Uninor Cellular Phone Service	589
15 Rin	577
16 Dettol	566
17 Sunsilk Damage Repair System	554
18 Pears Germ Shield	536
19 Dettol Cool Soap	535
20 Sure Dry Shield Deodorant	531
21 Lifebuoy Toilet Soap	530
22 Pantene Pro V Nourished Shine	521
23 UBI Housing Loan	521
24 Cadbury's 5 Star	512
25 Domex	496

Source: TAM Peoplemeter System
All India CS 4+Yrs GRP normalised to 30 secs
To see ad duration, visit www.businesstoday.in

A GOAL FOR SPAIN'S ECONOMY

Spain's soccer World Cup triumph may just have come as a shot in the arm for its troubled economy. The celebrations and revelry are expected to last for days, possibly months, giving a fillip to consumer spending. According to ABN AMRO Bank estimates, it could add a quarter percentage point to the GDP growth in 2010. For Spain, that could mean expansion this year instead of the contraction projected earlier. And no, it may not be just wishful thinking. Italy's triumph over France in 2006, according to some estimates, added half a percentage point to the GDP growth rate that year. Jubilant consumers typically spend more, says ABN AMRO Bank. Now, if only our cricketers could lift the cricket World Cup in 2011. It may give India Inc. plenty to smile about!

COMPILED BY SHAMNI PANDE

THUMBS UP FOR ESPAÑA

- Consumer spending will get a fillip
- Economy could pull out of recession

The Spanish team with the World Cup trophy

It's time to ask smarter questions.

What exactly does a benchmark mean? For the last five years, IBM DB2® on Power Systems™ has ranked first on three of the industry's leading performance benchmarks, longer than Oracle and Microsoft combined. But is that the best way to think about the possibilities of technology? What really matters isn't some abstract measure of performance, it's what companies actually do with that performance. For instance, Globe Telecom is using a service delivery platform from IBM to increase their sales by 112%. EuResist is using an integrated analytics solution to predict the most effective drug combinations for individuals with HIV, with 78% accuracy. And CAIXA Econômica Federal, one of the largest banks in Latin America, is using a service oriented architecture to slash infrastructure acquisition costs by over $330 million. On a smarter planet, these are the benchmarks that matter.

A smarter business is built on smarter software, systems and services.
Let's build a smarter planet. **ibm.com/questions/in**

Based on #1 number of TPC-C and TPC-H benchmarks published for the TPC-C, TPC-H 1000, and SAP 3-tier SD benchmarks between June 1, 2005 and June 1, 2010. For more information, see http://www.tpc.org and http://www.sap.com/solutions/benchmark. TPC, TPC-C and TPC-H are trademarks of the TPC. IBM, the IBM logo, ibm.com, DB2, Power Systems, Smarter Planet and the planet icon are trademarks of International Business Machines Corp., registered in many jurisdictions worldwide. Other product and service names might be trademarks of IBM or other companies. A current list of IBM trademarks is available on the Web at www.ibm.com/legal/copytrade.shtml. © International Business Machines Corporation 2010.

The Richie Rich Club

The ferocity of the economic meltdown singed investors across the globe and even the super-rich felt the heat. There was an unprecedented decline in the wealth of high net worth individuals (HNWI) in 2008. All that appears to be a thing of the past now. The recovery by the capital markets, and most other asset classes, in 2009 is ensuring a speedy return to the pre-crisis levels of wealth for HNWIs globally. India itself has seen a surge in its Richie Rich population and its wealth.

HNWI Population Growth

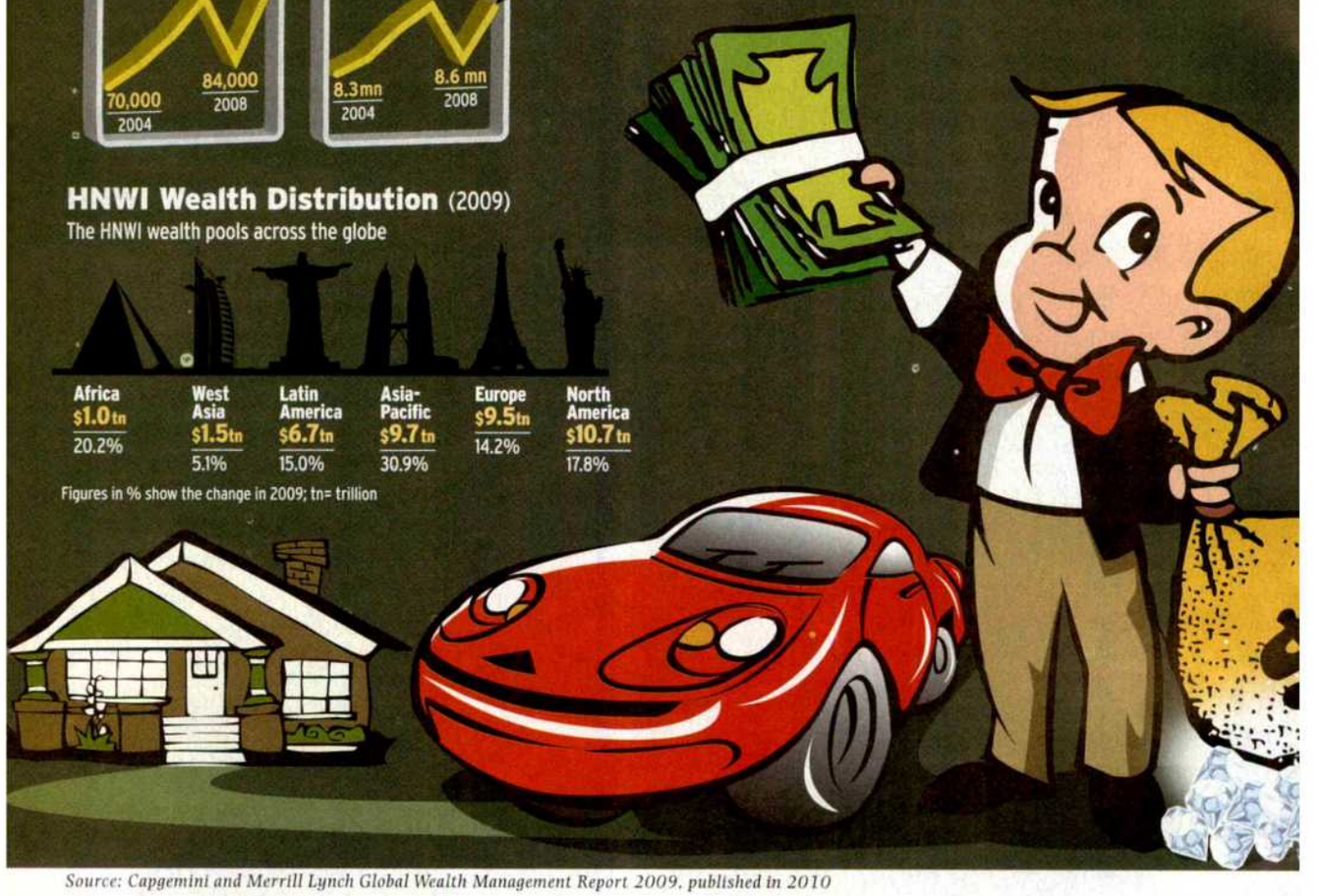
HNWIs are defined as those having investable assets of $1 million or more

HNWI Wealth Distribution (2009)

The HNWI wealth pools across the globe

Africa	West Asia	Latin America	Asia-Pacific	Europe	North America
$1.0 tn	$1.5 tn	$6.7 tn	$9.7 tn	$9.5 tn	$10.7 tn
20.2%	5.1%	15.0%	30.9%	14.2%	17.8%

Figures in % show the change in 2009; tn= trillion



Source: Capgemini and Merrill Lynch Global Wealth Management Report 2009, published in 2010

5 STEPS TO HERE

ANDROID'S JOURNEY TO INDIA

1

July 2005

Google acquires Android, a Palo Alto-based start-up.

Google™

2

June 2008

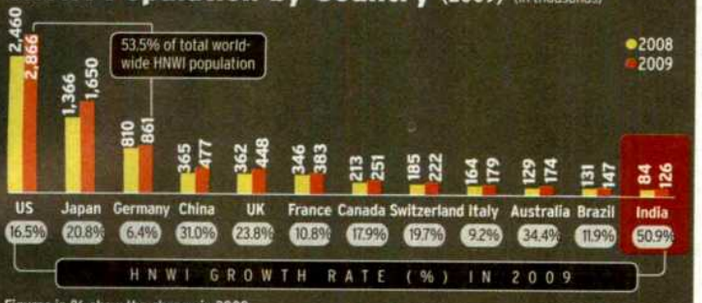
Nokia buys Symbian to take on the competition from iPhone and an impending launch of Android.

symbian

HNWI Population by Region (2009)

Figures in % show the change in 2009

HNWI Population by Country (2009) (in thousands)



Figures in % show the change in 2009

Geographic Distribution of Ultra HNWIs (2009)

Ultra-HNWIs represent only 0.9 per cent of the global HNWI population, but account for 35.5 per cent of global HNWI wealth

Ultra-HNWIs are defined as those having investable assets of $30 million or more

Figures in thousands

Rich Get Richer

- The world's population of HNWIs grew almost 20 per cent to 10 million in 2009
- The size of the HNWI population in Asia-Pacific is now almost as large as that in Europe (at 3 million)
- The United States, Japan and Germany, however, account for half of the world's HNWI population
- In India, HNWI population grew by 50 per cent in 2009

ALANKAR

BT Retro

BT, December 5, 2004

Beyond Labour Arbitrage

THEN: Is India the only country in the world where business process outsourcing (BPO) costs are 10-12 per cent of those that exist in the developed world? And, two, are potential offshorers so blinded by the labour arbitrage advantage that they will choose to ignore hidden costs and other risks that could make their market position less stable and secure?

The answer to both is a big no. Research done by the London-headquartered business information firm Datamonitor indicates that there could well be a number of countries that offer more 'stable' and more 'secure' environs for BPO.

So, clearly, companies in the US and Europe looking to offshore are asking themselves three key questions: Do I go easy on risk and instead "nearshore"; or do I go the whole hog in my quest for cost savings and outsource to the far-flung shores of India or the Philippines; or do I find a middle ground and go to South Africa, where costs are lower (though not as low as India) and where customer service is more differentiated and culturally empathetic?

It's time Indian BPO firms begin wrestling with these questions and plug the gaps that exist in their portfolios.

NOW: Indian BPOs have kept competition from other outsourcing destinations (China, Malaysia) at bay by building core competencies across key verticals like banking and insurance. A huge pool of competitive, English-speaking and computer-literate manpower, besides the obvious cost advantage, also give India a leg-up.

3

October 2008

HTC's Dream becomes the first phone to run on an Android operating system.

4

May 2010

Android overtakes Windows Mobile in global smartphone operating systems, capturing 10 per cent of the market.

5

July 2010

Google focusses on India and China for Android growth; makes the OS available on cheaper handsets like Samsung, LG.

T.V. MAHALINGAM

JAMES WHITEHURST, CEO, RED HAT

CLOUD COMPUTING IS A BIG OPPORTUNITY

NISHIKANT GAMRE/www.indiatodayimages.com

JAMES WHITEHURST, *President and CEO, Red Hat, the iconic company selling subscriptions for managing open source software, thinks out of the box. His business, he avers, is similar to selling bottled mineral water — certifying and guaranteeing something that is essentially free. On his recent trip to India, Whitehurst took time out for a conversation with* **BT'S SUMAN LAYAK.** *Excerpts:*

BT: What is your business model? If the software is free, how does Red Hat make any money?
We have a business model that truly adds value to open source software. Eighty per cent of our revenues are from subscriptions. Now why would someone subscribe to our service if the software we provide is already free? It is because enterprises want stability and we take open source software and make it enterprise-ready. We promise to support it over nine to 10 years. We also stay with the releases. If a stock exchange is investing $15 million in a new trading platform, it also wants to be sure that it will continue to work at the time of the next hardware upgrade. So, while we do not sell software, we sell subscriptions. And we have to be very good, or else why would you renew your subscriptions with us?

BT: Promoting open source was your mission when you took over. How much has been achieved?
We have made progress. Half the world's equity trade happens on Red Hat Enterprise Linux. Cloud computing and Web 2.0 — they would not exist without open source. Any web service you use, be it Gmail or Facebook, uses open source software. Open source is now becoming more pervasive. We are still in early days, but even two years ago we could not have imagined the way cloud computing has exploded. Open source and cloud will come together to reduce cost and speed of deployment of software.

BT: You have relationships with the IBMs and the Ciscos... but why not Google?
We have relationships with IBM, HP, Dell, Fujitsu and Cisco on the server side as well as with Oracle and SAP. With Microsoft, we do not compete directly, apart from the area of cloud, where they have a very different kind of an offering than us. Most importantly, we exist as a neutral player adding value. We do talk to Google a lot, too.

BT: Will cloud computing be the next big thing for Red Hat?
What do you think is the most important law in computer science? Not Moore's Law. It is inertia. It is the most important technological force. So, when people are adding new architecture that is when we get a look in. People start looking at clouds and all cloud service providers, except Microsoft, use Red Hat. IBM and NTT are all using Red Hat's virtualisations (where the software is separated from the hardware). As more of the computing moves to the cloud, it will be better for us. The potential is massive. Open source and cloud have commonalities. They are both pay-per-use with free software and have the benefits of modular and layered structure and ease of deployment.

BT: So, what does the future hold for open source?
You can see our website *opensource.com*. It is a forum for discussing the future of open source and we see it as a fundamentally new business model that can be applied to different areas. The best parallel of open source is the legal system. You cannot copyright a legal defence and any clever idea that you may come up with can be immediately copied or a new defence can be built around that. ⊙

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If you innovate,
they will come.
In a recent Accenture survey, 89% of executives agreed that innovation is as important as cost management for high performance. But while many companies are investing more in innovation, only a few have a rigorous approach for managing the process. As a result, even innovative companies often fail to realize the benefits that their new ideas could produce. To see how our vast experience and research can help you maximize your return on innovation, visit accenture.com/india
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How Things Work

Solar-powered Aircraft

Last fortnight, a solar-powered aircraft, Solar Impulse, completed a pioneering 24-hour non-stop flight and landed safely at an airbase near Berne, the Swiss capital. Yes, an aircraft powered by solar energy flew through the night! This was the first time a manned, solar-powered plane, had done this. Here's how it happened:

Vital stats

Weighing 1,600 kg, the plane can clock an average flying speed of 70 km per hour – about the scorching speed of an accelerating moped. With the wingspan of an Airbus A340, decked with 12,000 solar cells, the plane is a flying machine designed for one purpose – saving energy as it flies.

The design

When the sun is up, each square metre of the aircraft's exposed surface receives the equivalent of 1.3 horsepower of light power. Powered by four10-horsepower electric motors, each as powerful as the ones that took the Wright Brothers airborne a century ago, Solar Impulse has a custom-designed carbon fibre structure, propulsion chain, and flight instrumentation that save energy. Next step: a non-stop flight around the world in 2013-14.

COMPILED BY T.V. MAHALINGAM & KUSHAN MITRA

Just Wondering

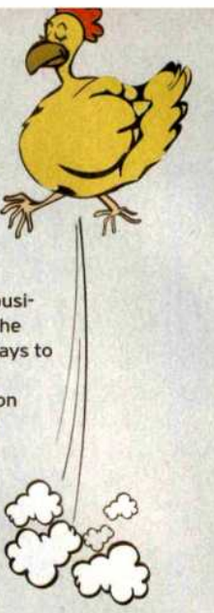
Vedanta's Varsity Blues

It is supposed to be mining giant Vedanta Group's contribution to Indian education. Modelled on the lines of global universities like Harvard and Oxford, the proposed Vedanta University, when completed, would be spread over 6,000 acres with 100,000 students from across the world. Vedanta plans to invest Rs 15,000 crore in the varsity, which would come up along the Puri-Konark highway in Orissa, where, incidentally, several of the company's controversial projects are located. The first phase of the university was supposed to come up in mid-2011.

However, nothing much has happened on the ground, thanks to stiff opposition from the locals, and the political sensitivity over Vedanta's projects in the state. For example, the Union Ministry of Environment and Forests (MoEF) granted the environment and coastal regulation zone clearances for the project in April 2010. However, a month later, the ministry stayed the approvals stating that it had information about "irregularities, illegal, unethical and unlawful deeds" of the Anil Agarwal Foundation, which is spearheading the project. The Orissa government has come under fire for acquiring land for the project in an inordinate hurry. Looks like this is one university where classes will begin late.

Quirky

Bird Wind Power



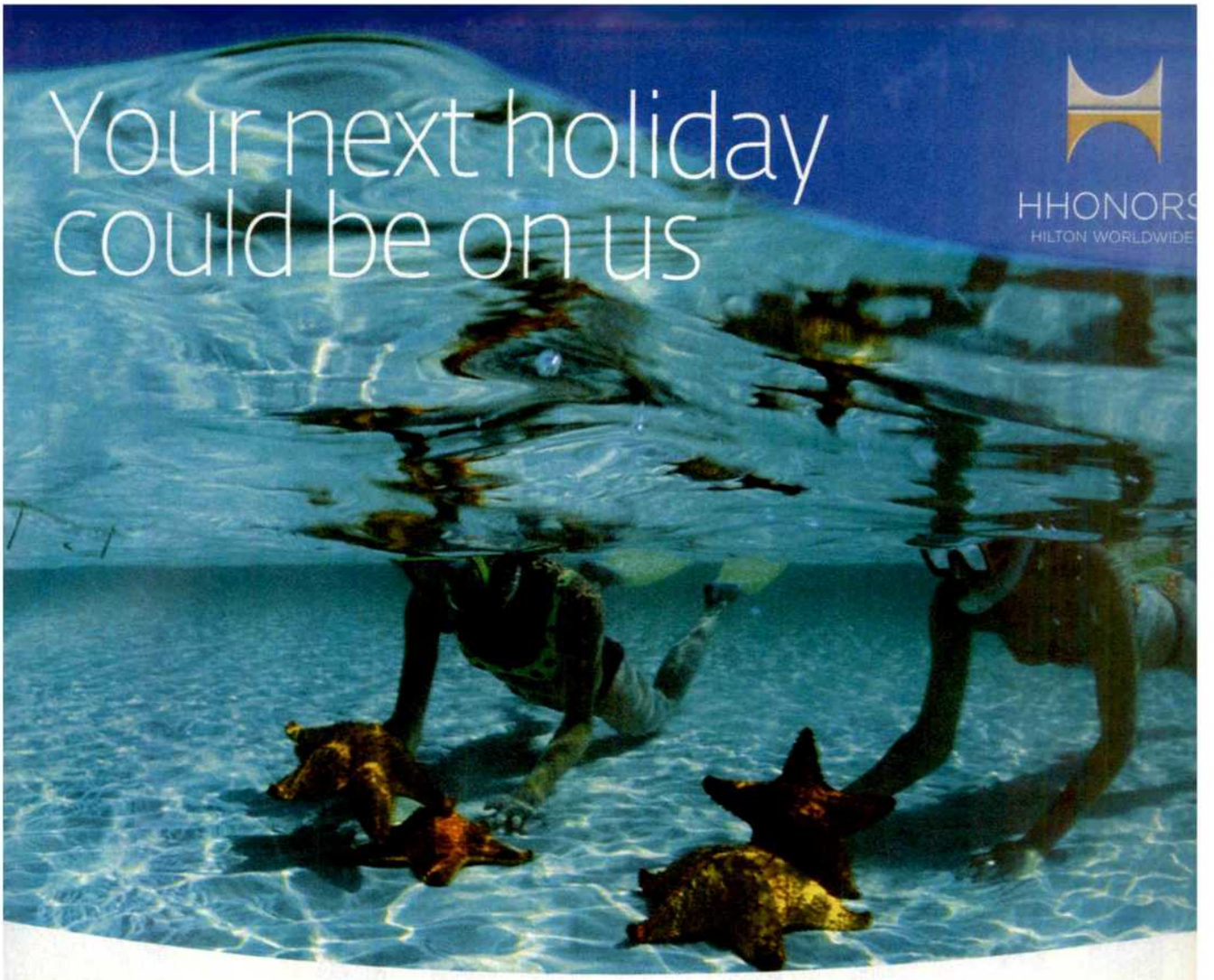
At a recent venture capital conference in Mumbai, heads of agribusinesses were shooting the breeze on innovative ways to make their businesses greener, and earn carbon credits. And, the ideas came rolling in. One ingenious bright spark involved feeding poultry birds with pills which would stop them from, hold your breath, passing wind. That would reduce methane emissions (which formed a major part of bird and human gaseous releases) and, in turn, earn carbon credits.

Sounds like a whole lot of gas? Not exactly. A lot of effort has gone to save the world from the evils of flatulence. Scientists from New Zealand developed a vaccine in 2008 which prevents sheep from passing gas. Why such extreme measures? Forty-five million sheep and 10 million cattle in New Zealand accounted for almost 90 per cent of that country's methane emissions. Enough to raise a stink.

Snoot Corner

Belgian Chocolate

Belgian chocolate has been famous since the 18th century, but really came into its own around a hundred years ago when a chocolatier, Jean Neuhaus II, created the 'praline' at his store in Brussels. It's different from most mass produced chocolates. Belgian chocolatiers get their couverture in specially heated tanker trucks, which allows the buttery chocolate to retain more of its flavour, and chocolate makers to make their famous gourmet pralines. While you can buy all the famous brands such as Godiva, Leonidas, Neuhaus and Nirvana at major outlets, they can set you back a fair amount. But, if you really consider yourself a 'chocolate devotee', you should go on a pilgrimage to the 150-year-old Neuhaus store at the Galeries St. Hubert in Brussels.



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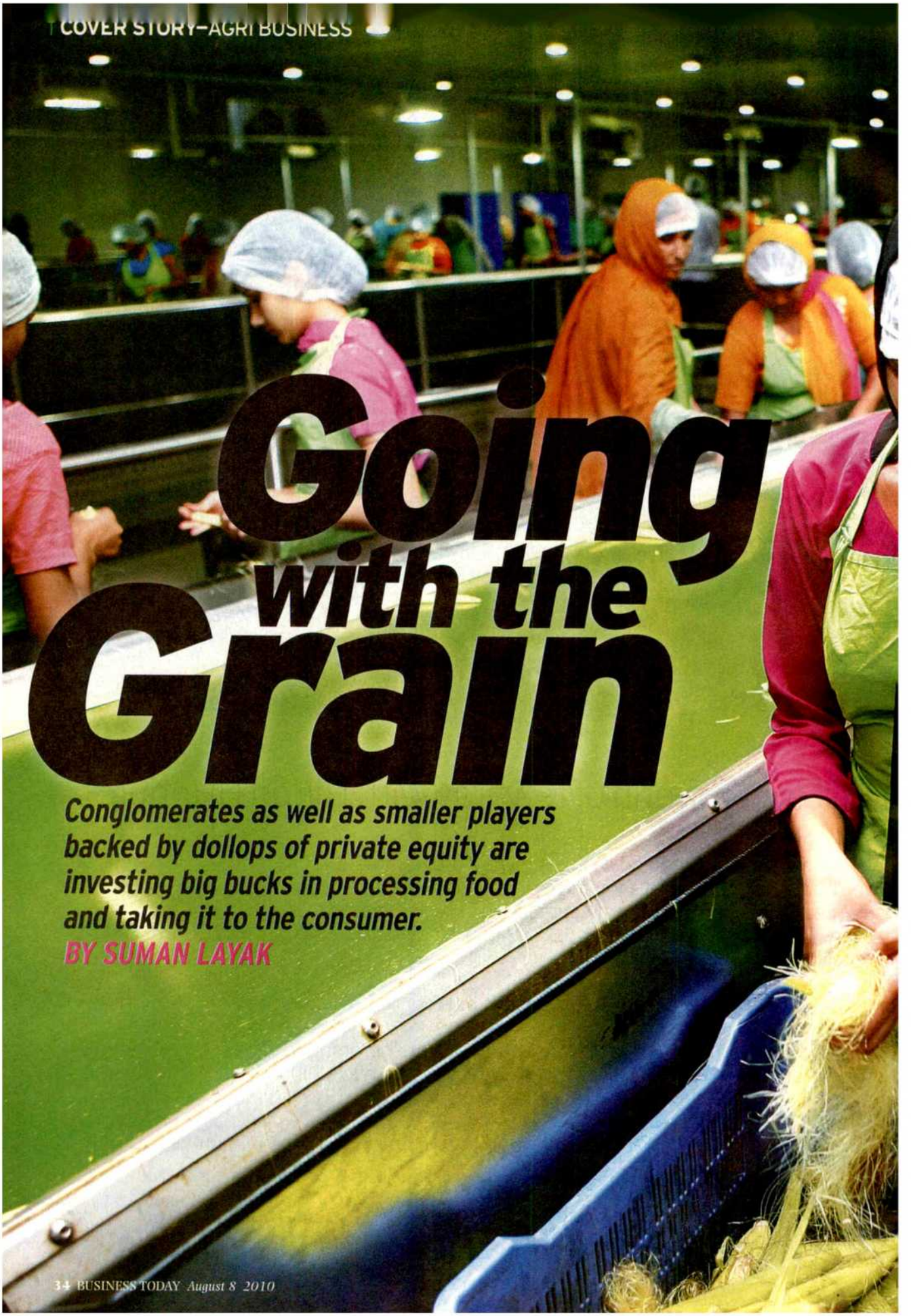
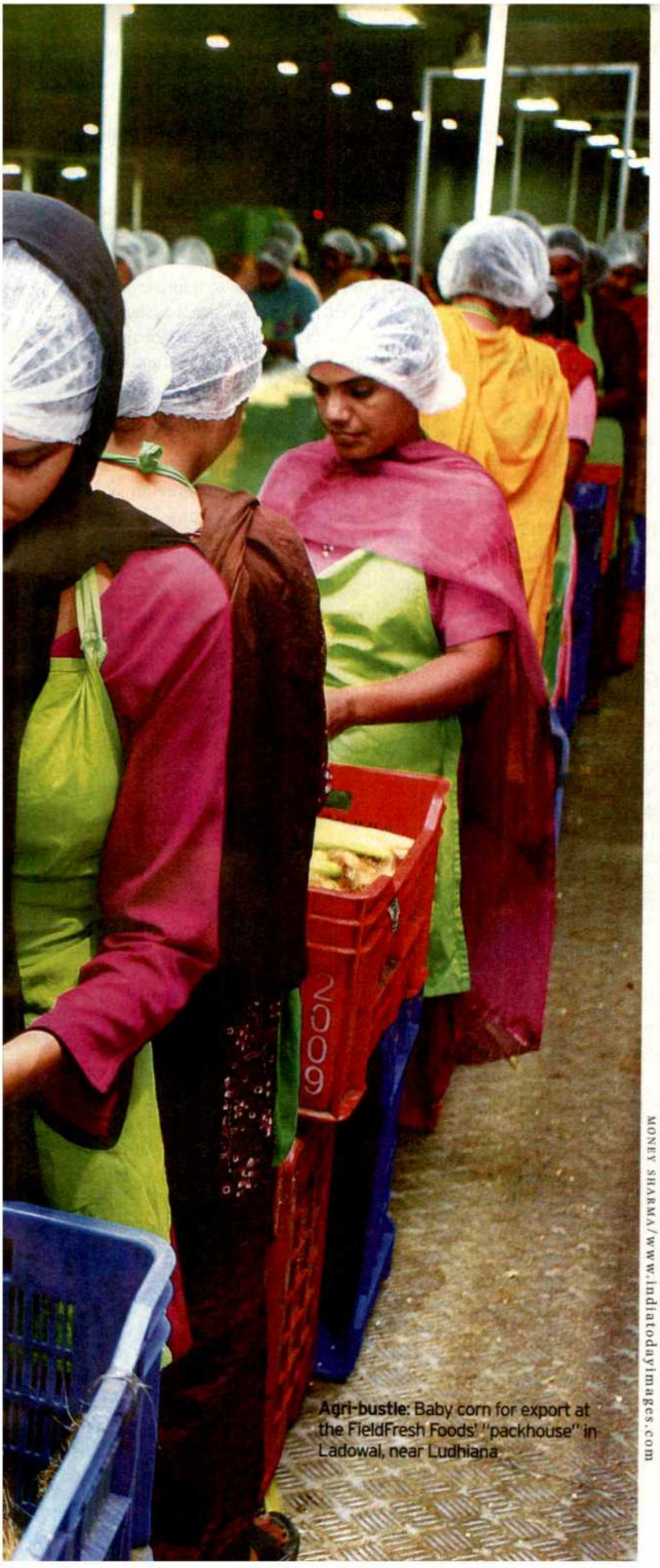


Going with the Grain

Conglomerates as well as smaller players backed by dollops of private equity are investing big bucks in processing food and taking it to the consumer.

BY SUMAN LAYAK



Agri-bustle: Baby corn for export at the FieldFresh Foods' "packhouse" in Ladowal, near Ludhiana

MONEY SHARMA/www.indiatodayimages.com

Balram Yadav is no Gordon Gekko — not by a long shot — but when he declares "inflation is good", you can't help but recall the fictional corporate raider in the Oliver Stone-directed film *Wall Street*. Yadav's pronouncement may sound as mercenary as Gekko's, who famously declared: "Greed, for lack of a better word, is good. Greed is right, greed works...." But when the CEO of Godrej Agrovet, a Mumbai-based poultry and animal feeds company, sings a paean to rising prices, his intentions may not be as self-seeking as those of the fraudulent trader that Stone captured on the big screen. "Inflation is good because it is putting money in the hands of the farmers, and is making agriculture profitable," reckons Yadav.

Yadav's premise can be argued until the cows come home — after all, if farmers are receiving higher prices for their produce, costs of various inputs too would have spiralled — but there's little doubt agri-business is an opportunity waiting to be tapped. And that opportunity — like many others in India, including those for construction of roads and highways, airports and power generation — is founded in a scenario of shortage. A section of experts has been screaming from the rooftops about a looming crisis of food supply being around the corner. "The challenge is unbelievable. We need to treble our growth rate in agriculture in the next 15 years," says R. Gopalakrishnan, Executive Director, Tata Sons, who leads the group's charge into the agri sector. The projections for food items like cereals, pulses, edible oil and sugar are indeed alarming, with steep shortfalls seen by 2026 (*see Opportunity in a Crisis*).

If the crisis is deep, so is the opportunity. Consultants and industry bodies estimate just the urban food market to be worth Rs 3,50,000 crore — and 40 per cent of India is projected to live in urban areas by 2020. The middle class pool, which is de-

veloping the adventurism and the purchasing power to try out new products, is estimated to be 580 million by 2025 — almost double the current population of the United States. And if all these numbers aren't convincing enough, here's another one: The estimated investment in food processing is expected to touch Rs 1 lakh crore by the time the 11th Plan ends (in 2012).

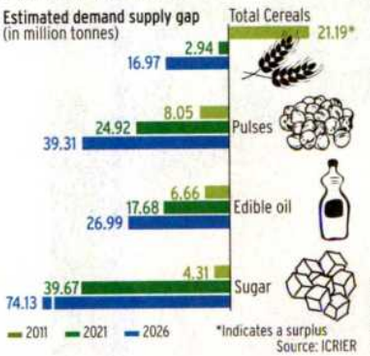
If such projections seem grandiose, keep in mind that the processing part is just one link in the agri-chain. It starts in the fields, where a clutch of companies is collaborating with farmers to procure directly from there (see *Firm on the Farm*, page 46); others are seeking to fix the supply chain by eliminating middlemen, thereby reducing wastage and increasing margins. At the front end, organised retailers are seducing consumers with attractively-packaged frozen foods and desserts; that, in turn, call for the setting up of a cold chain to transport, warehouse and store such items, which is virtually non-existent today (see *Cold Comfort*, page 42).

At the vanguard of these opportunities are some of the biggest names in corporate India. The Tatas straddle various parts of the agri chain (although many of these initiatives are not consciously linked to each other). At a broad level, Tata Chemicals is engaged in crop nutrition, Rallis in crop protection, Voltas with its focus on refrigeration is ideally placed to plug gaps in the cold chain, and Star Bazaar, the hypermarket formats at the retail end, also has a collaboration with Tesco of the United Kingdom for building a supply chain.

Mukesh Ambani's Reliance Industries' most visible presence in food is through its not-too-successful retail stores called Reliance Fresh. But the group claims to be the country's largest procurer of fruits and vegetables (800 tonnes a day), and it is building a logistics business that includes

Opportunity in a Crisis

The demand-supply gap is expected to widen in key food items



Hungry for Deals

PE investors and acquirers are on the prowl

	PE	M&A
Restaurants	206	113
Oilseeds and edible oils	158	61
Dairy and dairy products	116	6
Sugar	73	627
Packaged foods	53	716
Beverages	52	1,575
Seeds	30	196
Food ingredients	30	0
Floriculture	14	0
Confectionery	11	12
Poultry	11	0
Food grain	10	20
Support services	10	28
Fertilizer & agri-chemicals	5	846
Other	23	0

Figures in $ million for the January 2005 to June 2010 period
Source: VCCedge, data service by VCCircle

cold storage, transportation and warehousing. Similarly, other than its joint venture, or JV, with Wal-Mart for supply chain management, the Bharti group also has FieldFresh Foods, a JV with Del Monte Pacific that sells fruits and vegetables across India as well as Europe and West Asia.

ITC's agri-business division exports and sells domestically foodgrain, oilseeds, leaf tobacco, fruits, vegetables, coffee and spices. Add to this its unique e-choupal model — it touches four million farmers — and ITC's would be the largest agri-business in the country, with revenues of just under Rs 3,900 crore last year. ITC is also the only company that spans the entire food chain — right from the farmer's doorstep, to the plate in its hotels, as well as ready-to-eat products.

Let's dig a bit into what some of these companies have on their plate. Rallis and Tata Chemicals have taken on a programme to improve *dal* productivity in India. Rallis has started an *urad dal* (white lentil) project in Pudukkottai district in Tamil Nadu with local farmers; and Tata Chemicals is doing its bit with *moong dal* (mung bean) in Punjab. Kapil Mehan, Executive Director, Tata Chemicals, says farmers in Punjab are being encouraged to grow the *dal* between rice and wheat as a quick crop that can be harvested in 50 days — when the land largely lies idle. For Tata Chemicals, contracted procurement of agri-produce has been a revenue stream, adding Rs 550 crore (around five per cent) to its revenues in 2009-10. It procures Basmati rice, potatoes and other crops for other companies and Basmati exporters using its engagement with three million farmers as a seller of fertilisers. The company has also set up a banana ripening centre in a joint venture named Khet Se with Irish company Total Produce.

Mahindra Shubhlabh, a subsidiary of Mahindra & Mahindra (M&M), is the largest corporate exporter of grapes today; 380 containers were exported in 2009. Harrison Malayalam, the tea and rubber company from the RPG Group, has 60,000 acres under its belt. Today, the company has gone on to become the largest grower of pineapples in India. Says Managing Director Pankaj Kapoor: "We have 700 acres for pineapples within our rubber estates. We have also planted pepper vines at our tea estates, taking advantage of the replanting and rejuvenation that we are investing in."

Large companies have also marked their presence with intervention centres that talk to farmers about farming techniques and provide services like soil testing and in-

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formation on prices. ITC has some 6,500 of such centres, called e-choupals, the Tatas have 650 Tata Kisan Sansars, M&M has 75 Samriddhi Centres and Rallis has Tata Kisan Kutumba, an outreach programme operating out of community centres and schools.

The PE Fuel for Growth

There's plenty of action among mid-sized and smaller companies, too, with private equity (PE) investors eager to back a number of them. Within the broad agriculture space, the cultivation sector attracted PE support of $102.46 million between December 2008 and June 2010 through eight deals, according to data from Venture Intelligence, a Chennai deal tracking firm. From January 2005 to date, estimates Noida-based VCCircle, about eight times that has come into the sector from PE sources (see *Hungry for Deals*).

One company that's being fuelled by private equity is The Global Green Company, an Avantha Group entity engaged in contract farming of gherkins. The India Agri Business Fund, a $120-million private equity fund sponsored by Rabo Equity Advisors, invested $10 million in The Global Green Co. in March this year. "The investor has vast knowledge about both agriculture and the food sector in India. We believe Rabo's knowledge will work to our advantage in the next phase of growth," says Vineet Chhabra, Group CEO of The Global Green Co.

Or consider Krishidhan Seeds, which got a $30-million investment from Summit Partners, a London-registered PE fund in April this year. Says Krishidhan Managing Director Sushil Karwa: "It is important for a PE firm to come in for at least five years in agriculture. It must stay through an entire cycle that will see a lean year as well as one of bumper crops." Rajesh Srivastava, Managing Director of Rabo Equity Advisors, which launched the India Agri Business Fund in 2008, says around $55 million has been invested already. "The fund is likely to be exhausted by the end of the year and we will raise a new fund next year," he adds.

The going isn't easy — for the big as well as the small. Convincing farmers to be bound by a contracted price, lack of (cheap) labour thanks to the popularity of the government's employment guarantee scheme, and a supply chain that creaks and leaks are just some of the stumbling blocks. Says Rakesh Bharti Mittal, Vice Chairman and Managing Director, Bharti Enterprises, who leads the group's agri business: "Agriculture requires extreme patience. I have learnt it the hard way." He explains how FieldFresh Foods started off trying to work on multiple fruits and vegetables but has since whittled down the list to five—baby corn, sweet corn, apple, pineapple and banana. The company's focused approach has worked for it and for the farmers. FieldFresh Foods has in the last three years captured 15 per cent of all baby corn sales in the UK retail market. It supplies to retailers like Sainsbury's and will soon be shipping to Tesco. Income for farmers has gone up 20-30 per cent due to this high value crop. Dairy farmers, after harvesting the baby corn, use the rest of the plant and husk as fodder for cattle. Due to better agronomic practices, not only has milk production gone up, the quality too has improved. "Today the business is making losses, but my conviction is that we are on the right track," says Mittal.

The fields of India are lovely, but they're also dark and deep, and the multitude of players have miles to go before they strike pay dirt. ⊙

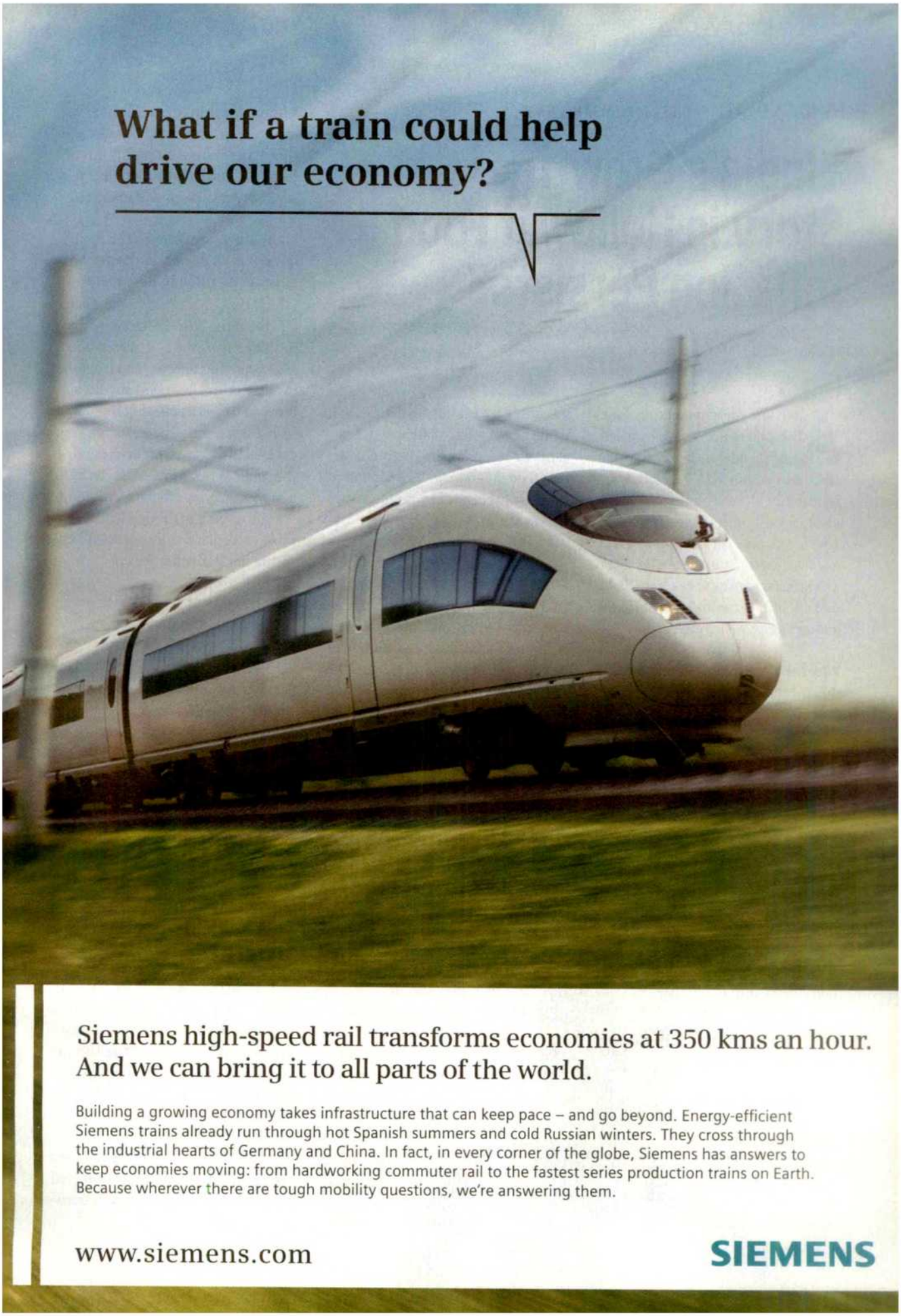
ADDITIONAL REPORTING BY SHALINI S. DAGAR, E. KUMAR SHARMA AND K.R. BALASUBRAMANYAM

AGRI-BUSINESS HAS A LOT GOING FOR IT...

- The government's employment guarantee scheme has made farm labour expensive, compelling farmers to take a fresh look at mechanisation
- Real-time price information, commodity spot exchanges, weather insurance and irrigation technologies are helping to modernise farming
- Huge internal demand will drive agricultural growth in India in the future and profits need not depend on exports

...BUT THERE ARE HURDLES APLENTY

- Lack of a modernised supply chain that can reduce wastage and get farmers a reasonable price every year
- New generation turning away from farming in a bid to avoid the drudgery and uncertainty
- Fragmented nature of business means it is difficult to scale up; large-scale plans have longer-than-anticipated gestation periods
- Government's policies like minimum support price deter farmers from trying new crops or seeds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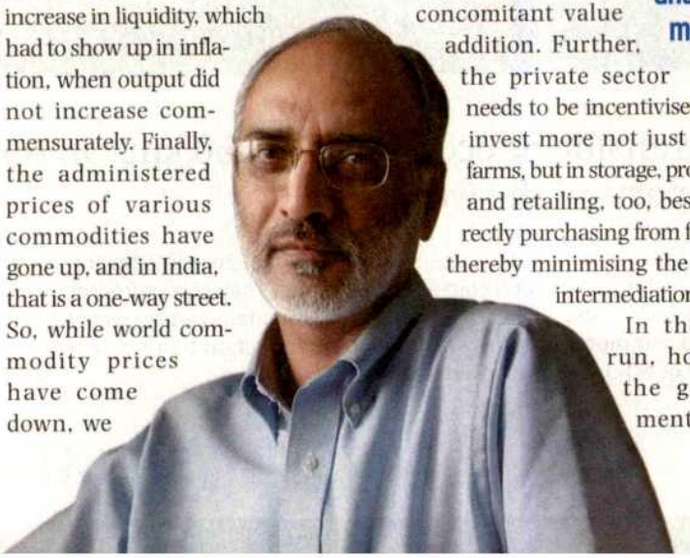
ASHOK GULATI // DIRECTOR (ASIA) // IFPRI

"India's Growth Story is Hollow if Food Inflation Persists"

Advising governments on how best to beef up food security and combat food inflation is what keeps **ASHOK GULATI,** *Director, Asia, International Food Policy Research Institute (IFPRI), busy these days. Gulati especially tracks agricultural markets and value chains. In a conversation with* **BT'S SHALINI S. DAGAR,** *he throws light on some of the issues affecting the food and agri sector. Edited excerpts:*

Why has food inflation not come down even after the harvest?

The main trigger was the drought last year, which raised expectations and fears of high inflation, leading to some speculative activities, too. The second was the enormous amount of money pumped into the system, thanks to the National Rural Employment Guarantee Act, salary increases in the organised sector and the farm loan waiver, among other things. These led to a massive increase in liquidity, which had to show up in inflation, when output did not increase commensurately. Finally, the administered prices of various commodities have gone up, and in India, that is a one-way street. So, while world commodity prices have come down, we are stuck at higher levels. Hence, while global food inflation is 2-3 per cent, we are grappling with double-digit food inflation. In India, inflation has largely been led by pulses, sugar, milk, some fruits and vegetables, and not as much by foodgrains.



What are the possible solutions?

In the short run, imports are needed to control inflation. Import duties could be reduced when inflation is reigning at 16 or 18 per cent. The India growth story is hollow if food inflation cannot be controlled.

In the medium term, disintermediation is essential. Due to taxes, when grains leave the *mandis* in Punjab in the evening, they are already 11-12 per cent more expensive than when they arrived. And this cost increase happens even when there is no concomitant value addition. Further, the private sector needs to be incentivised to invest more not just on the farms, but in storage, processing and retailing, too, besides directly purchasing from farmers, thereby minimising the cost of intermediation.

"The private sector needs to be incentivised to invest more not just on the farms, but in storage, processing and retailing. We need more investments"

In the long run, however, the government needs to invest more in agriculture and create a favourable business climate. Our agriculture is starved of investments. It is no wonder that uncertain supplies lead to spurts in inflation.

What are your views on the government discussion paper on opening up retail to foreigners?

I think the paper is very timid. China did this in the '90s. We are still debating after five years of discussions. Moreover, the paper suggests that the investor at the front end should also invest in the back end. That is simply a stupid idea, because a retailer may not necessarily be an expert in all parts of the chain. When a Wal-Mart comes to a market, it brings its partners along, who are experts in the back end. If the front end enlarges, the back-end investments, too, will come up.

Will the current attempts at providing food to the poor through law work?

As part of the Food Security Bill, there is talk of releasing grains at Rs 3 a kg through the public distribution system. Half of this entitlement is likely to leak. At this price point, there will be all the incentive to siphon it away. This mishandling of around 60 million tonnes of grains that will be needed is going to be a disaster for the country as it will impede the market functioning of the food economy. And poverty will not be eliminated even in the next 20 years. The solution is simple: do not get into physical handling of grains. Let Mr (Nandan) Nilekani (Chairman of the Unique Identification Authority of India) issue smart cards to the targeted families. Let the cash to buy food be transferred directly to their bank accounts. And let people use the money to buy the food they want. Most countries have moved towards such conditional cash transfers to help their poor. ⊙

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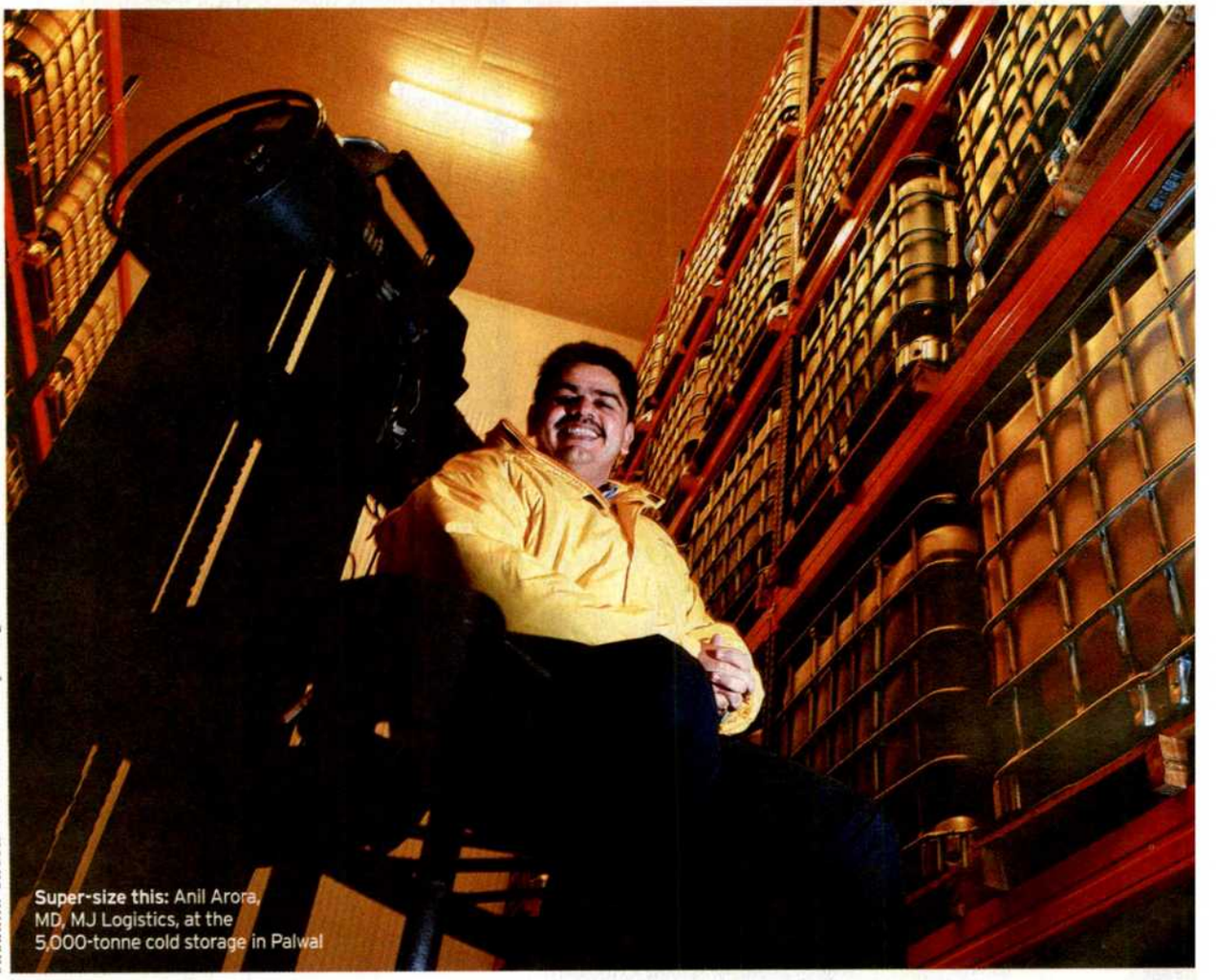
Cold Comfort

A clutch of entrepreneurs wants to set up refrigeration facilities in India – and prevent colossal food wastage in the bargain. BY SHALINI S.DAGAR and SUMAN LAYAK



SHEKHAR GHOSH/www.indiatodayimages.com

Super-size this: Anil Arora, MD, MJ Logistics, at the 5,000-tonne cold storage in Palwal

In 2001, Dev Lall founded Bakers Circle to make frozen snacks and desserts that would be sold through the country's fast food chains, restaurants and bakers. The business didn't exactly begin with a bang; Lall needed truckers who would deliver his frozen products at minus 20 degrees Celsius. The few who were ready to take up the challenge were just not up to the task. "To take our dough from Kashipur (in Uttarakhand, where the company has its production unit) to, for instance, Hyderabad would take 15 days," points out Lall.

The solution: Lall invested in partially building his own cold chain, which today consists of seven refrigerated vehicles — leased back to truckers with a minimum guarantee. "We

can now do the Kashipur-Hyderabad journey in 96 hours, and spend just 15 minutes for both loading and unloading," says the plucky hotelier-turned-entrepreneur, who worked in the Hyatt chain in North America for six years before starting Bakers Circle.

Lall's experience underlines the bitter truth about the Indian foods business — along with its sheer opportunity. The lack of refrigerated facilities for chilling, freezing and storing — the three key links of the cold chain — taking frozen products from producer to consumer — also results in a colossal wastage of eggs, fish, milk, and meat, of which India is amongst the world's largest producers (see *The Weakest Link*).

If India is the second-largest producer of fruits and vegetables in the world, why is it that its share of global exports is minuscule — some 0.5 per cent for fruits and 1.7 per cent for vegetables? Answer: Roughly a third of the 180 million tonnes of fruits and vegetables grown go to waste in the absence of infrastructure to store these items for a longer period. The value of this post-harvest wastage was estimated at over Rs 45,000 crore by a *Task Force Report on Development of Cold Chain in India* prepared by the government and the Confederation of Indian Industry in 2008. Another way to look at it: The quantity of fruits and vegetables that go to waste is more than the consumption of these food items in the United Kingdom.

And then, whatever cold storage capacity exists in the country is inadequate for most food items. Points out Atul Khanna, Director, Global Cold Chain Alliance (India Chapter), an international association of cold chain investors: "Most of the capacity (nearly 80 per cent) is configured for potatoes and there is not much value addition that they provide."

The good news is that it can't get any worse from here — not when a clutch of entrepreneurs is attempting to plug various gaps that exist in the cold chain. Sample: MJ Logistics, a third-party logistics services provider, has created 25,000 tonnes of capacity for cold storage and distribution at Palwal in Haryana. These facilities are part of a larger logistics hub. Funded and 90 per cent owned by Eredene Capital, a UK-based fund house that invests in logistics projects in India, MJ Logistics intends to provide storage facilities at 18 to -25 degrees Celsius to processed food players and retailers.

The business case for cold chains is doubtless sound, but it's not for those looking for quick returns. It guzzles cash, and the gestation period is long. Anil Arora, Managing Director, MJ Logistics, says Rs 85 crore has been invested in the facilities since inception more than two years ago. The company earns revenues on a pay-per-use basis, and the game plan is to work with organised players in food process-

THE WEAKEST LINK

Vegetables: India accounts for **11%** of the world's output, but has cold storage facilities for only **10%** of its produce. Result: A low **1.7%** share of global exports

Milk: Only **70,000 tonnes** of cold storage capacity exists for 90 million tonnes produced in the organised sector

Fish: Ranked **No. 6** in fish production in the world, but **20-30%** is damaged because of a lack of cold storages

Cattle: Ranked **No. 2** in population but has a tiny market for cold meat as some **5,500** registered and **25,770** unregistered slaughter houses have no chilling, freezing facilities

Source: Task Force Report on Development of Cold Chain in India – GOI/CII 2008

ing or those looking for value addition and making MJ a permanent link in their supply chain. "If one is lucky, the business can mature in seven years, but 10-15 years is a realistic time frame to become an established player," adds Arora.

What works in favour of such players is that the lack of modern cold chain facilities ensures optimum utilisation. "We function at 110 per cent of our capacity," says Ravi Kannan, CEO, Snowman Frozen Foods, a joint venture between Gateway Distriparks of India, Mitsubishi Corp., Nichirei Logistics Group and Mitsubishi Logistics Corp. of Japan. Snowman, which claims to be the first company to set up a pan-India distribution system for frozen and chilled foods, has cold stores across 22 locations, and runs a fleet of some 150 refrigerated trucks. Plans are afoot to put up another four warehouses by investing a little over Rs 20 crore by next March.

It may appear a lucrative opportunity, but the cold chain business is no walk in the park. Industry observers reveal that giants like Reliance Retail and Aditya Birla Retail, who are attempting to set up their own cold chain infrastructure, are going slow because of the complexities of the business. Sandeep Sabharwal, Managing Director of Sohan Lal Commodity Management, a logistics and procurement firm that manages 70 warehouses, knows this and has moved away from managing cold storages. So while Sabharwal is bullish about growth in warehouses, he is wary of the cold chain infrastructure. "The issue is that the cold storages are often a single man show or a family-owned facility and they do not want to let us manage it. We might do dry-green units (that is, cold storages in regions that have a naturally cool climate and so, do not need cooling facilities for certain items) someday where due to the climate we do not need a cold storage," Sabharwal says.

Another problem with the cold chain initiatives is that they are fragmented, with hundreds of small players doing their own thing. Just one such entrepreneur is Gagan Pal Singh Anand, Proprietor, Anand Frozen Food Carriers, who owns 34 10-wheel trailers and does an annual turnover of Rs 5 crore. He hauls frozen peas, meat, dairy products, cheese and chocolate, medicine, menthol oil, and yeast across the country. Of late, Anand has hit a rough patch. "Road infrastructure is still poor. Tyre companies have increased prices by 40 per cent, tolls have increased, and our freight prices do not go up in tandem," he explains.

From an investor's point of view, this might be the best time to back a player and help him build that much needed scale. Gaurav Mathur, Managing Director of private equity fund India Equity Partners, explains that while scale was being built up at the front end (processed foods, quick service restaurants *et al*) for some time, of late there is action at the back end, too. "Cold storages, warehousing... are also attracting private equity investments... There is a lot of development waiting to take place," adds Mathur.

Gagan Seksaria, Associate Director for transportation and logistics, at consulting firm KPMG, divides the cold chain into two segments — one that caters to businesses that need a temperature of 10-18 degrees Celsius; and the other that needs freezing capabilities of below zero, up to minus 20 degrees Celsius. He feels that the first, which can be used to carry items like chocolates, is easier to manage: a slight change in temperature *en route* will not destroy the products. That may be one way to begin, but the big bucks are clearly at the colder end. Seksaria points out that large food processing and food retail companies (like McCain, McDonalds and Domino's) are assisting entrepreneurs in the sector through incentives and captive volume to develop their indepedent cold chain networks comprising warehousing and distribution of their products under required conditions.

There is money to be made in cold chains, but only for those with an appetite for risk, and a hunger for quality and precision. ⊙

Cold wheels: Snowman runs some 150 refrigerated trucks

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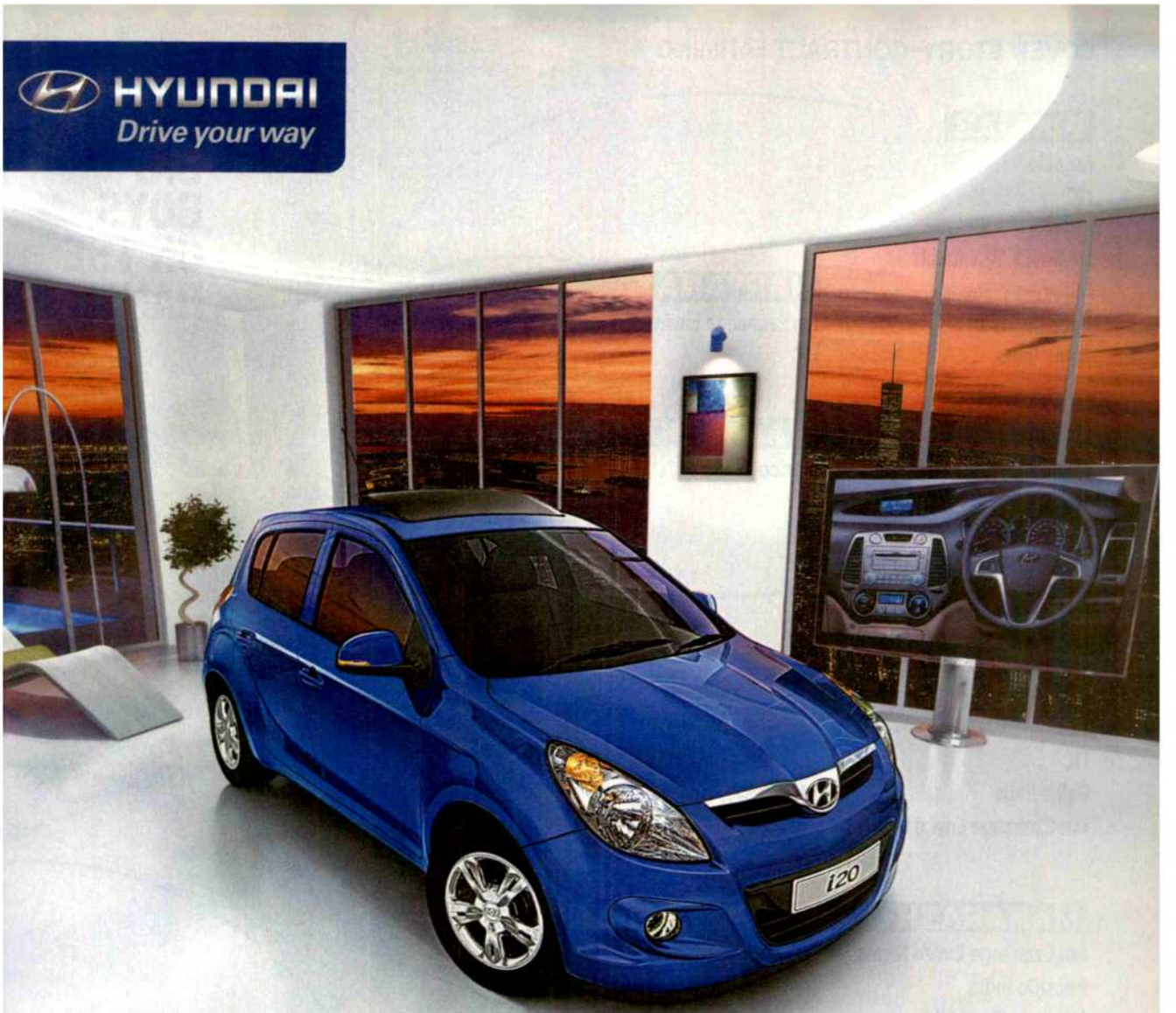

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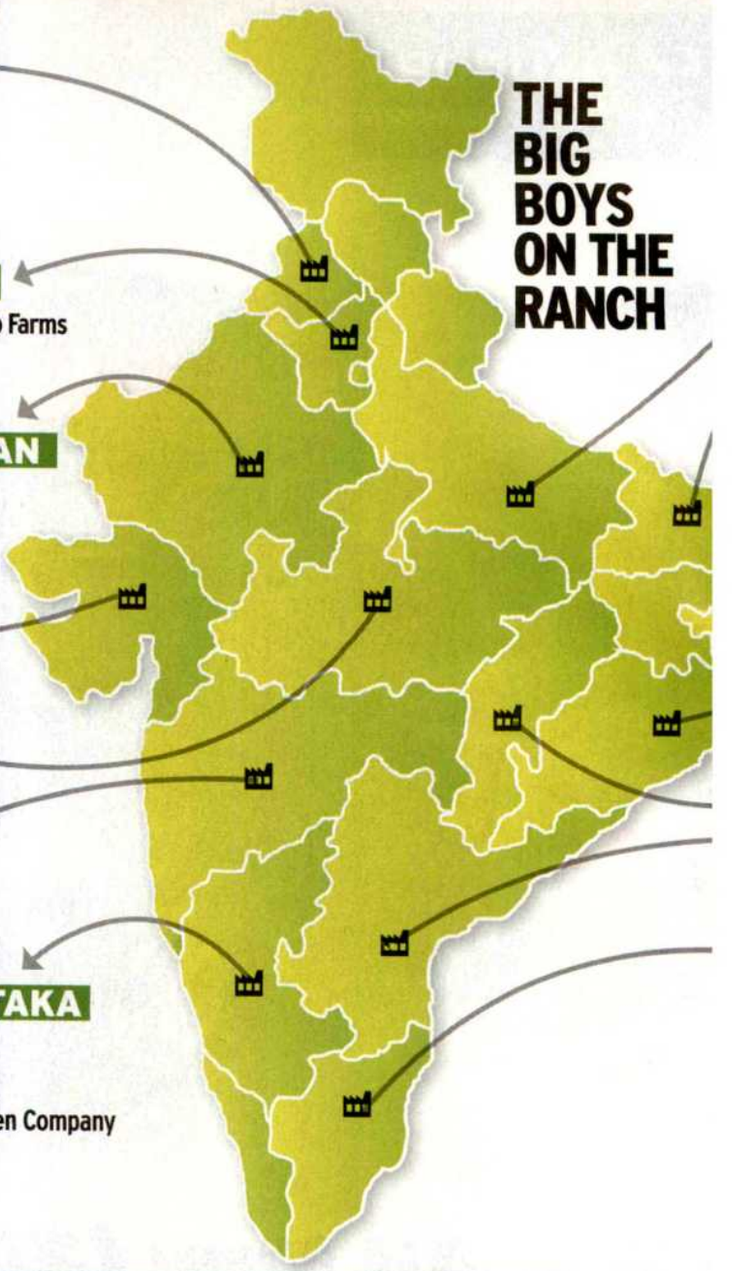

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MARICO	CARGILL INDIA	SUGUNA POULTRY	VENKATESHWARA HATCHERIES	THE GLOBAL GREEN COMPANY	PEPSICO INDIA
Safflower	Wheat, maize and soyabean	Broiler	Broiler	Gherkins, baby corn, paprika	Potato

UTTAR PRADESH
PepsiCo India
Rallis India

BIHAR
PepsiCo India

WEST BENGAL
PepsiCo India

ORISSA
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Marico

ANDHRA PRADESH
Suguna Poultry
The Global Green Company

TAMIL NADU
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Venkateshwara Hatcheries
Rallis India

HUL	MAHINDRA SHUBHLABH
	Maize, Basmati and non-Basmati rice
NESTLE	**SUPER SPINNING MILLS**
Milk	Cotton

Source: www.agmarknet.nic.in

FIRM ON THE FARM

More than legal contracts, it's companies' contact with farmers that's the name of the game.

BY SHAMNI PANDE

Narayanappa Maranna, 40, owns five acres of farm land in Mallenamadagu village on the Andhra Pradesh-Karnataka border, about 155 km away from Bangalore. Till 2006, Maranna was cultivating groundnut, paddy and *ragi* (finger millets). Then, he heard about a new way of farming from his friends in the village, one that promised higher prices, returns and margins. A year-and-a-half ago, Maranna signed a deal with The Global Green Company, a foods company that's part of Gautam Thapar's Avantha Group, to grow gherkins. In quick time, Maranna raised two crops on an acre of land that he had set aside for gherkins and earned Rs 1.30 lakh after expenses, which was three times more than what he would have pocketed when he was growing groundnut, paddy and ragi. This year, Maranna brought another half acre under the gherkins — the maximum permissible by the company.

Maranna is today a mascot in Mallenamadagu for the newfangled way of farming. Emboldened by his success, his neighbour, Muddanna, 35, followed suit and switched from conventional crops to gherkins. "It gives us a great sense of satisfaction that we have been able to transform the lives of these people," says Vineet Chhabra, MD & Group CEO of Global Green, which works with 31,000 farmers in Karnataka, Tamil Nadu and Andhra Pradesh.

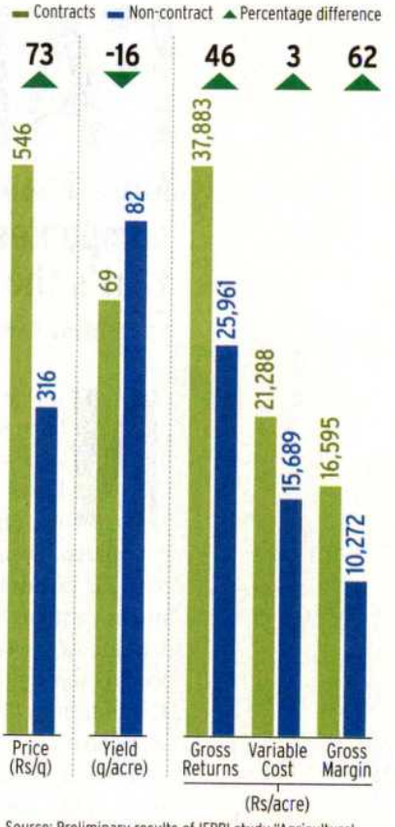
Such collaborations between hitherto solitary reapers and corporations — multinational and Indian — are what constitutes contract farming (CF), although CF isn't exactly a new concept. After all, the colonial rulers introduced it for cash crops such as rubber, coffee and tea centuries ago. More recently, the cooperative-led growth in dairy and sugarcane has been largely courtesy the contract farming system.

Today, however, contract farming has evolved into a precise agreement that ensures quality for the buyer and a good deal for the farmer. CF essentially involves a forward contract between the producer (the farmer) and the buyer (the firm engaged in processing the produce or trading it). Under the contract, companies get into a formal agreement to procure at a specified, pre-agreed price from the farmer. This price is decided based on the farmer's commitment to quality, quantity, yield and delivery.

A number of companies have been on a contract signing spree with farmers in virtually every Indian state (see *The Big Boys On The Ranch*). For instance, Global Green, which ranks third globally in gherkin production and is the largest outside America, pays farmers between Rs 4 and Rs 16 a kg depending on the grade of the gherkin. Bharti Del Monte India, a joint venture between Bharti Enterprises and Del Monte Pacific 's subsidiary DMPL India, has become the largest exporter of fresh baby corn in India. PepsiCo India, which works with 12,000 potato farmers involving 16,000 acres, is today the largest procurer of the vegetable, buying 1.5 lakh tonnes through CF. "The Indian agri-food system is undergoing rapid transformation and there is growing evidence that contract farming will have an important role in this transformation," adds Ashok Gulati, Director, International Food Policy Research Institute.

How the Farmer Benefits...

...but not on all fronts



Source: Preliminary results of IFPRI study "Agricultural diversification in Andhra Pradesh and Punjab"

Driven by Contact

Ashok Khosla, an independent agri-business consultant, says India is evolving its own style of CF, one that is more driven by "contact" with farmers than legal contracts that drive the more organised farm-to-market relationships elsewhere in the world. For instance, Mukesh Ambani's Reliance Retail, which is by far the country's largest fruit and vegetable procurer, buying up to 800 tonnes on a daily basis, does so by simply calling up known farmers or setting up buying booths close to the big *mandis* (wholesale transaction hubs). This helps the company crunch delivery time as it eliminates intermediaries, even as it gets a grip on freshness and quality. Similarly, Tata Group companies such as Rallis India and Tata Chemicals do not have any written agreements, although the latter deals with nearly 45,000 acres under CF for Basmati rice, pulses and fruits and vegetables.

Such bouts of informality are not restricted to just Indian promoters. International hypermarket giant Carrefour, for instance, does not refer to its Indian subsidiary's linkages with farmers as CF. "We are not involved in contract farming, our focus is to build mutual understanding and collaboration with the Indian farming community. And we do this as part of our Corporate Social Responsibility (CSR) initiative," says Mohan Shukla, CSR Head, Carrefour India. The CSR activity is doubtless laudable, but Carrefour also gets an opportunity to ensure quality and timely delivery of food items.

Can it Beat Inflation?

Having said all that, companies like PepsiCo, ITC, Global Green and Bharti Del Monte often do get into formal written contracts with farmers. Yet, the bustle notwithstanding, the reality is that CF is yet to take root as a core strategy for food companies to beat inflation. Even fast-moving consumer goods giant Hindustan Unilever Ltd. (HUL) says it has taken up CF as a CSR mission. "The truth is that many traditional players such as Dabur, Marico and even the likes of HUL, continue to source the bulk of their core requirements directly from the open market or through their trusted supply chain," observes Girish Aivalli, EVP & Country Head, Food & Agribusiness Strategic Advisory & Research, YES Bank.

If anything, CF only adds to the cost of the company.

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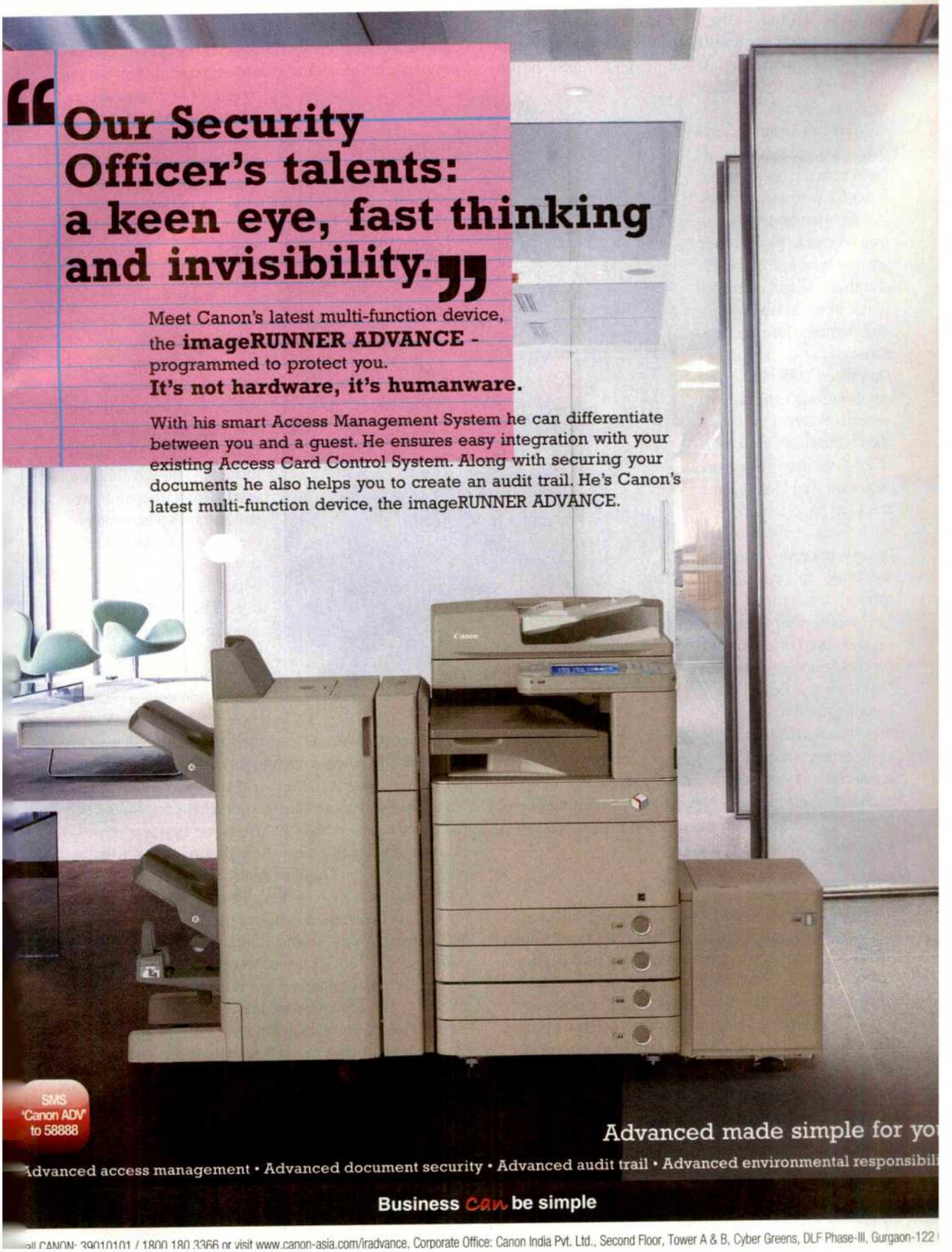

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given that it takes on the onus of transporting the goods, packing them and storing them, amongst other activities. "Many companies realise that their vendors have perfected an efficient system over time and are able to supply the produce at a pre-agreed/efficient rate," adds Aivalli.

Consider Dabur. It buys fruits and vegetables for its foods from the open market, but CF is a part of its activities. "Contract farming is taken up as a service to plough back what we consume and also in situations when we notice that it would aid in cost-cutting," explains Jude Magima, Executive Director, Operations, Dabur India. The company sources nearly 290 varieties of herbs from across the country and from overseas. "We used to import Akarkara from Morocco and this is an important ingredient for our Chyawanprash. But as its price was escalating, we took up production through the contract route five years ago; our costs have since dropped by almost 90 per cent," adds Magima.

Contract farming of potato in Punjab for PepsiCo India

SHEKHAR GHOSH/www.indiatodayimages.com

Clearly, CF is helpful when it comes to meeting specific requirements that otherwise would have remained unmet, or unsecured, through open market agreements. "PepsiCo requires a specific variety of potato for its chips; similarly gherkins require manual labour while processing and, here, India plays a critical role," says Khosla, who has advised a number of food companies.

Thorny Issues

CF is today a mere drop in the ocean. "Despite India being an agrarian economy (with over 180 million hectares of cultivable land), merely two per cent is under contract farming," says Khosla. An attempt to bring more farmers under the ambit of CF could be a tricky matter. That's because nearly 88 per cent of farmers in India have less than two hectares of land. Gulati points out that these small farmers are more efficient than larger farmers in terms of land productivity, presumably because such farms are run by family members. "In India, given the small farm holdings and millions of livelihoods, corporate farming is neither feasible nor desirable on a large scale," says S. Sivakumar, Chief Executive for agri businesses at ITC. Therefore, several other farmer-to-market linkages are established. Contract farming between farmers and agri-businesses is one such linkage. Other options, according to him, are *mandi* auctions, trader buying, direct buying via ITC e-Choupals and contracts with producer cooperatives. Against such a backdrop, concerns have been expressed about whether the interests of the small farmer are being protected as companies go about procuring for their benefit.

A study conducted by Sukhpal Singh, a professor at the Centre for Management in Agriculture, Indian Institute of Management, Ahmedabad, suggests that CF is one more way of further marginalising the small farmer: "Though this is a good system, there are several instances where companies have not addressed the real concern of the farmer, which is risk-sharing," he says. The involvement of companies, often, opens up one more option for the farmer to sell his produce. "But is that option really a boon? Often, companies pick up the best produce and leave the farmer to take the rest to the *mandi*; this hardly helps him get the economies of scale. He still has to deal with the cost of leftovers," adds Singh.

Companies counter that they are left holding the wrong end of the stick — or stalk, as in this case. However, companies that have been hit are those that rushed in without proper knowledge of how the system works. "A large Indian retailer learnt its lesson when it bought *litchies* and ended up with lots of leaves and stalks of the plant, instead of the actual fruit," says Anand Ramanathan, Manager of Consumer Market Practice at KPMG Advisory Services. "A key component of contract farming is fixing the quality measures. There is little standardisation in India," he adds. Clearly, for the proverbial win-win situation to emerge, farmers have to come to terms with issues like quality and deadlines; and companies have to appreciate that the man in the fields is signing a contract because he wants to improve his quality of life.

ADDITIONAL REPORTING BY K.R. BALASUBRAMANYAM AND SUMAN LAYAK

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Corporate Farming, Redux

By helping farmers till their land, Coromandel International has created a new revenue stream. BY NITYA VARADARAJAN

Ramesh (L) discussing finer points with a Coromandel employee manning a rice transplanter

At Cherlopalem village in Nellore district of Andhra Pradesh, an interesting sight awaits any visitor—uniformed farm hands either tilling the land or transplanting rice seedlings. The fields look a lot greener (read productive), too, and more orderly than those that one usually sees in paddy-growing areas.

The fields belong to 48-year-old Tatineni Ramesh, who has 32 acres in the village. He has no sons and his only daughter is studying in one of the bigger cities of Andhra Pradesh. Until recently, Ramesh had to depend entirely on hired labour. Even that changed when hired hands became scarce as they flocked to work for schemes under the Mahatma Gandhi National Rural Employment Guarantee Act offering better wages.

The predicament was the same for Ramesh's friend M. Raghuramaiah, 55. His two sons have moved to a town to work in a private company. "Our land is our pride — we own it. It cannot compare in intrinsic satisfaction to what a private company can offer as salary," says Raghuramaiah, hoping that his sons will one day come back.

In fact, many farmers in Nellore district are passionate about their land. But they increasingly worry that with their children not ready to take up farming and the ever increasing shortage of farm hands, they may have to exit farming altogether. But the seeds of hope have been planted by the Rs 14,000-crore Murugappa Group, which saw in farmers distress a great opportunity to create an all-new revenue stream by working more closely with them — its main customers. "At our Mana Gromor centres, we were getting feedback about the farmers' distress," says N.S.B. Hariprasad, Area Sales Manager, Retail Operations. Mana Gromor chain of retail stores were set up by Coromandel International, formerly Coromandel Fertilisers, to peddle fertilisers, pesticides and nutrients along with lifestyle products to the farmers.

Coromandel drew up a unique model and decided to help farmers sow crops for a fee of Rs 4,500 per acre. Unlike contract farming, it did not involve taking over of the farmland on lease or buying back the produce. The farmer remained in charge of the land, chose what he wanted to grow and where to sell. All that Coromandel did was to help him sow the crop by using the latest machinery and advising him on the right mix of fertilisers, pesticides and nutrients.

In November 2009, Coromandel International began by handling 400 acres around Nellore — ploughing the land and transplanting seedlings using imported machinery indigenised for the purpose. The idea was tremendously successful and soon demand rose to 1,200 acres for the next season. The farmers happily paid for the service — they were relieved to see a crop in their fields. "For the coming season in November-December, we hope to do 6,000 acres," says G. Raviprasad, Vice President for Fertilisers Sales and Marketing at Coromandel. He is very optimistic about covering 100,000 acres as part of the first tranche of the company's plan "very quickly" once the business plans are finalised.

The reasons for the immediate success of the model are many. Fragmented landholdings deter farmers from investing in mechanisation as it is not viable. Murugappa

H.K. RAJASHEKAR/www.indiatodayimages.com

THE INITIATIVE

- Coromandel International helps farmers with mechanisation of farm activities for a fee
- Also provides the necessary farm hands
- Offers farmers soil sampling and testing
- Runs specialised retail stores to meet farmers' needs – they stock both farming and lifestyle products

THE OUTCOME

- Gets deeper relationship with farmers that goes beyond point of sale, ensuring brand loyalty and market share
- Helps bring mechanisation into the country for better productivity
- Addresses farmers' problems of shortage of hands, the reluctance of the next generation to work on farms and avoid outright sale of farmlands
- A new revenue stream for itself, and an opportunity to sell its products and other services, particularly financial services

Group found a way to tap into this by spreading costs over many farmers.

For instance, the conventional method of carrying the seedlings from the nursery and then planting them by hand requires intense physical labour and is done mostly by women. At least 12 women work for eight hours to cover an acre. The rice planter, operated by two trained hands, does the job in two hours. The mechanised method also ensures better spacing leading to better sunlight and aeration for the crop and so better growth than in the conventional method of transplanting.

Some farmers were even willing to pay another Rs 4,500 per acre for completing the entire process of farming: harvesting, threshing and bagging. "We are now freeing the farmers to take up other activities such as dairy or poultry farming or shrimp cultivation and grow their income," says Raviprasad.

In fact, large farmers like Ramesh Reddy, who owns 300 acres and had gone to become a government employee, have expressed their intention to return to farming.

For the Murugappas, the tangible and intangible benefits are many. Farmers do not mind waiting a day or two for the company's consignment of compost or fertiliser to arrive rather than buy a readily available brand from a competitor. Farmers are increasingly taking to specialty chemicals (bio nutrients and pesticides) made by the company. Coromandel expects sales of its compost to touch 90,000 tonnes this year. It helps the company since increasing sales of non-subsidised items such as compost fatten its margins. "Also, by selling them things like footwear, T-shirts, and mixer grinders through the Mana Gromor chain, we aim to lock them in to be with us completely," says Raviprasad. That apart, there is also a new revenue stream to tap. The servicing income from paddy alone would eventually amount to several hundred crores. The total potential is estimated to be around Rs 3,000 crore. Coromandel has a strong presence in Tamil Nadu, Karnataka, Andhra Pradesh and Chhattisgarh, which are predominantly rice-producing states. The company is also considering extending the mechanised method to other crops like maize and cotton.

A. Vellayan, Chairman, Murugappa Group, is proud of this effort. "We have sown many firsts in Coromandel. But this time, we have sown the beta seeds of farm mechanisation in the country, which should help in modernising agriculture," he says. Indeed, when an obsessive focus on productivity management is fast becoming a religion in Indian manufacturing, why should agriculture be left behind? ⊙

But Where's The Beef?

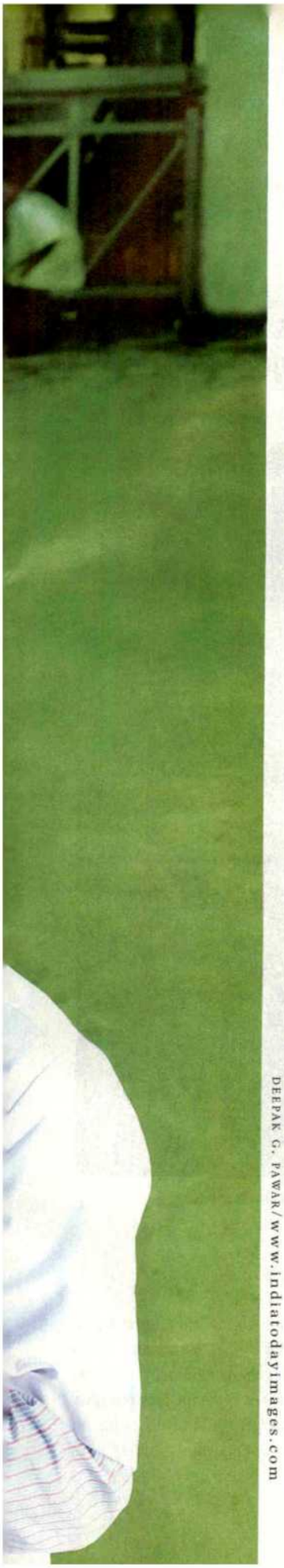
Low processing levels underscore the huge potential in value-added foods.

BY SHALINI S.DAGAR

In the mid-eighties, the Wendy's chain of hamburger restaurants in the United States came up with a television commercial that had a woman being handed a burger with a huge bun and a small patty. The woman isn't too pleased and exclaims: "Where's the beef?" Since then, the phrase has been often used — as in the TV series *The Simpsons* and even by songwriter, poet and novelist Leonard Cohen in one of his songs — to question the substance of an idea or product.

Take a glance at the various segments of the Indian food processing sector — fruits and vegetables, marine products, milk and milk products, buffalo meat, and poultry — and you would be tempted to ask: "Where's the beef in this industry?" And it's not just buffalo meat we are talking about. For instance, for fruits and vegetables, just a little over two per cent of the produce is processed. Contrast this with a processing level of 30 per cent in Thailand, and close to 80 per cent in the Philippines and

In a pickle is good: Vineet Chhabra, CEO, The Global Green Co.



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Malaysia. In the dairy sector, the level of processing is at around 37 per cent, compared to 60-70 per cent in developed countries. Since post-harvest wastage is at up to a third of the production, processing offers an opportunity to reduce these losses and to increase the farmer's income.

The industry is broadly divided into six segments — fruits and vegetables, dairy, meat and poultry, fisheries, grains and cereals, and consumer foods. It is still dominated by small and unorganised players. Investments from larger, more organised players are also coming in largely due to changing consumption trends in India — a movement from cereals to higher value products such as meat-based products.

A growing urban population and a burgeoning middle class might well be just what the doctor ordered for the growth of food processing. "Pasta consumption in India is growing at 15 per cent. Ten years ago, who would have thought that you could make money by selling pasta in India," asks Rakesh Bharti Mittal, Vice Chairman and Managing Director of Bharti Enterprises, who directs the group's agri business.

Pasta may be growing on a very small base, but it is indicative of the seismic shift under way in the Indian food bazaar, which has traditionally shied away from culinary adventure. Avantha Group entity The Global Green Company, which is one of the largest gherkin exporters in the world, is now introducing its consumer brand, Tify, in the local market. Vineet Chhabra, Managing Director and Group CEO, says: "Tify was till recently exotic, niche, and premium. It was a global food for global people, a Western condiment kind of category. Today, we have reoriented Tify for India." That reorientation involves packaging strawberry jam with fruit pieces in it and tomato ketchup with more tomato.

Food processing has traditionally positioned itself as export-oriented. That will change, as the domestic market matures. As Mittal of Bharti Enterprises points out: "India needs to first develop the domestic market, which also involves focusing on safety, hygiene, and quality. Once you have delivered that, you can look overseas." In the years ahead, Indian consumers should find more meat in the bun and food marketers will get a bigger bang for their buck. ⊙

ADDITIONAL REPORTING BY
K.R. BALASUBRAMANYAM

WHY FOOD PROCESSING MATTERS...

India's food processing industry is valued at
$70 billion

Processed food constitutes more than
35%
of the food market

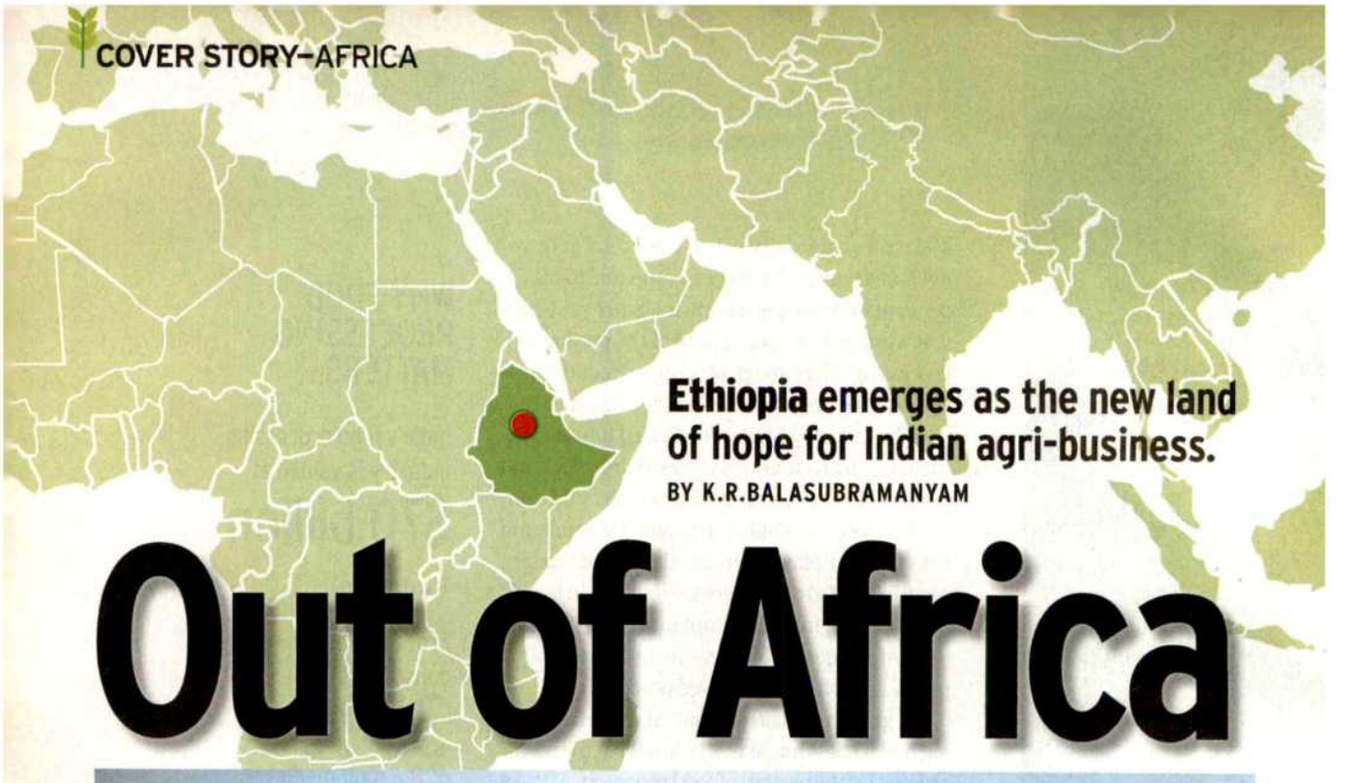
A **one percentage** point growth in the food sector has the potential to generate additional direct employment for **5 lakh people** and indirect employment for **15 lakh people**

The Ministry of Food Processing Industries envisages tripling the size of the processed food industry by increasing the levels of processing for perishables from **6% to 20%**

...BUT PROCESSING LEVELS ARE STILL LOW IN KEY PERISHABLE SEGMENTS

In per cent

Source: Ministry of Food Processing, FICCI, YES Bank



Ethiopia emerges as the new land of hope for Indian agri-business.

BY K.R.BALASUBRAMANYAM

Out of Africa

GETTY IMAGES

A farmer removes weeds from an oil palm plantation developed by Karuturi Global, near the town of Bako, in Ethiopia

March 2010: *Construction major Shapoorji Pallonji & Co strikes a deal with Ethiopia to raise oil seeds and pongamia pinnata, a feedstock for biodiesel, over roughly 50,000 hectares.*

January 2010: *Ruchi Soya, a leading edible oils and soya foods company, signs up with the Ethiopian government to grow soya beans, maize and pulses in that country. The Indore-headquartered company acquires 25,000 hectares on a 25-year lease with an option to double the area.*

June 2009: *Karuturi Global, the world's largest producer of roses, headquartered out of Bangalore, takes possession of 3,00,000 hectares at Gambela, Ethiopia after acquiring 11,700 hectares at Bako the previous year. The company will grow foodgrains and oil palm on 3,11,000 hectares, which is roughly equal to seven times the city of Mumbai.*

Indian entrepreneurs landing in Africa to set up rose farms is an old story. The emerging trend is of many of these floriculturists — as well as other entrepreneurs — moving into other agri-products in the world's second-largest continent. Like cereal, for instance, where the size of the global market is estimated at $500 billion or about Rs 23,00,000 crore — almost eight times that for cut flowers. And it's not just Indian businessmen who are on a land-leasing spree. Some $60 billion or Rs 2,76,000 crore has been invested in buying up farmland across the globe in the past couple of years, and India, with China and others, is cornering land available on lease in the African continent.

Steep agflation in 2007-08 raised concern over food security in investor countries. A looming crisis — a huge shortfall is expected in India in key food items like cereal, pulses, edible oil and sugar by 2026 — has prompted even those business houses that are not traditionally connected with agriculture to invest in foodgrain. "Everyone is investing in Africa for food just like they are investing in China for manufacturing, and in India for services," says Sai Ramakrishna Karuturi, founder of Karuturi Global, which began as a flower producer. Now, Karuturi wants to convert his entire land bank — of 3,09,584 hectares — into crop fields over the next five years, with the aim of contributing five million tonnes of foodgrains to the annual global production of roughly two billion tonnes. "We plan to have a 0.25 per cent share of the world cereal market and five per cent of that for globally-traded rice," says Karuturi, who has now made the city of Addis Ababa in Ethiopia his first home, spending two weeks in a month in that country.

Ethiopian Safari

The East African country plans to lease 30,00,000 hectares (74,00,000 acres) of land for investment in agriculture over the next three years to both increase productivity and to earn foreign exchange. Ethiopia began leasing out land at $1.19 or Rs 55 per hectare per year in some parts and has been wooing investors with even grace periods on payment. In 2008, according to the Ethiopian Investment Agency, the government set rental prices of rural land for agriculture based on how developed the zones were and how far they were from all-weather roads. In the western Gambella state, for example, annual rentals range between $1.48 and $2.22 a hectare, while in places close to Addis Ababa, it can be more than $11 per hectare per year. Even this is cheap, compared with India, where farm land with water supply can fetch Rs 18,000-25,000 per hectare per year. in Karnataka, Tamil Nadu and Andhra Pradesh.S. Ayyappan, Director General, Indian Council of Agricultural Research (ICAR) strongly suggests that pulses be grown in Ethiopia and brought into India and urges Indian investors to look at the opportunity seriously.

G. Vinod Reddy, Founder of Neha International, is one of the Indian entrepreneurs who has already moved on the opportunity. He has sold his farm near Pune and taken up land in Ethiopia's Oromia region — in Holetta for floriculture and near Bako for Neha's focus area of foodgrains. He expects to harvest his first crop of rice and maize in November, and will also be looking to export oilseeds and pulses to India and other countries.

Ethiopia is an attractive agri-destination for a number of reasons. One, for the past six years, it has been the fastest growing African nation not dependent on oil. Two, over half of its area is suitable for cultivation, but less than one-fifth is actually farmed. Three, its diverse agro-climatic conditions are ideal for a variety of food and cash crops.

"Eighty per cent of land in Africa is uncultivated and sparsely populated," says Gurjit Singh, Joint Secretary, East & Southern Africa, Ministry of External Affairs (MEA). The soil also has a high degree of organic matter, which translates into higher yields. Small wonder then that agriculture is Ethiopia's biggest engine of growth, by far. Agriculture contributes 47 per cent of the country's

WHY ETHIOPIA?

- Has diverse agro-climatic conditions
- The fastest growing African nation not dependent on oil
- Political and social stability have helped Ethiopia attract foreign investment
- Of the total land area of 113 million hectares, about 56 per cent is suitable for cultivation. But only 14.8 per cent is under cultivation now.
- Abundant agricultural land and water allows for cultivation of a variety of food and cash crops

Floriculture may have been the first blush for Indian companies, but foodgrain is the big opportunity

gross national product and 60 per cent to its exports, besides employing 80 per cent of the country's population. Cereals, oilseeds and pulses are the main crops grown across the region.

That Africa is a huge market for foodgrain — larger than India — makes Ethiopia even more attractive. For instance, of the 18 million tonnes of non-Basmati variety rice traded globally, 10 million tonnes is absorbed by Africa. While Ethiopia alone presents a fertile market of 85 million people, there is scope for sales in other regions; the Common Market for Eastern and Southern Africa (COMESA) is a seamless trading area with 19 member states from Libya to Zimbabwe. Together, they spend an estimated $19 billion or Rs 87,400 crore on food imports. "The Africans could be paying $700 (Rs 32,200) per tonne of rice exported from Thailand, where it may be selling at around $400 (Rs 18,400) per tonne. This is where my opportunity lies," says Neha International's Reddy. What also helps is the huge import barriers erected by Ethopia: about 75 per cent on rice and 50 per cent on maize.

Indian companies are making value addition a critical part of their Ethiopian game plan. Ruchi Soya, for instance, is also putting up a processing plant to meet the demand for edible oil there. "We are entering Ethiopia as part of our backward integration strategy: It makes a good business proposition, and helps us expand our footprint. We are exploring opportunities in other African countries, too," says Ruchi Soya MD Dinesh Shahra.

Foreign direct investment from India is just under $4.4 billion or Rs 20,240 crore as of now, and is expected to hit $5 billion or Rs 23,000 crore by year-end, according to Bhagwant Bishnoi, the Indian Ambassador to Ethiopia. Agriculture dominates the investments, although there's no breakup available. Entrepreneurs like Karuturi, however, embody India's ascendance in agriculture in Africa. Indian investors exploring farming opportunities in Ethiopia make it a point to consult him. He admits he actively bats for Indian investments in Ethiopia and the rest of Africa, and reasons that increased investments mean increased clout for Indian entrepreneurs in the region. "In fact, I advised an investor not to approach the government for land. I offered 100 acres from my possession," he says. Africa seems to have it all — an ability to address a food crisis as well as the ability to satiate entrepreneurs' hunger for returns. ⊙

ADDITIONAL REPORTING BY E.KUMAR SHARMA

"We are entering Ethiopia as part of our backward integration strategy"

DINESH SHAHRA
MD, Ruchi Soya

"Africa is to food what is India is to services and China to manufacturing"

SAI RAMAKRISHNA KARUTURI
Founder, Karuturi Global

"Africans may pay $700 a tonne of rice, that sells at $400 in Thailand"

G. VINOD REDDY
Founder, Neha International

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Past performance is no guarantee of future results.

Date of Inception: 24 Feb 2004	Compounded Annualised Returns (%)			
Scheme & Benchmark	**1 Year**	**3 Years**	**5 Years**	**Since Inception**
HSBC MIP - Savings Plan - Growth	12.35	10.17	11.20	10.24
CRISIL MIP Blended Index	6.46	7.72	8.34	7.29

Past performance may or may not be sustained in the future.
As on 31 May 2010. Returns are compounded annualised. 'Since Inception' returns are calculated on Rs.10 invested at inception. Calculations are based on growth NAVs. NAV for HMIP - Savings Plan (Growth Option) as on 31 May 2010 is Rs. 18.4298 per unit.

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No Bed of Roses

A high-cost structure and intense competition make flower exports wither.

BY K.R.BALASUBRAMANYAM

For 20 years, he worked for private companies overseeing production of cut flowers, ornamental plants and flower seeds. So, in 2005, when P.M. Shiva Prasad began growing flowers on the outskirts of Bangalore, he appeared to be on to a good thing. After four years in the business, however, Prasad was a picture of disappointment: Steep freight costs and fierce competition made his produce uncompetitive in global markets. By June 2009, after taking a hefty bank loan, Prasad stopped growing carnations and gerbera and switched to the exotic vegetable, bell pepper, or coloured capsicum. Today, he is back in the black — and a much relieved man.

Prasad's is not an isolated case. Even entrenched exporters of cut flowers have had it rough in the past four years. Data from the Agricultural & Processed Food Products Export Development Authority or APEDA indicates that between 2006-07 and 2009-10, the value of flower exports dropped from Rs 567 crore to Rs 294 crore. "Growing flowers was a very big activity in Bangalore a few years ago, but not anymore," laments Prasad, a botanist by qualification. The Bangalore-Hosur belt in the south and Pune in Maharashtra have been the traditional flower belts largely because of their favourable climate and the logistical support in these regions.

"Cut flower exports have not grown to expected levels because of intense competition in global markets, steep freight and farm management issues," says R. Ravindra, Assistant General Manager at APEDA, the Commerce Ministry body that promotes export of agri-products. The "farm management" issues Ravindra mentions pertain to the lack of close and constant attention growers need to provide the flowers, which are sensitive and perishable products.

For cut flower exports to become viable once again, either producers have to bring down their cost of production or freight rates need to fall. "My production cost works out to Rs 2.50 per stem while I get about Rs 8 per stem on exports. But freight itself takes away Rs 3-4 per stem," says Sridhar Chowdary, MD, Vinayaka Agritech, which grows roses in Tamil Nadu and exports about 25 lakh stems a year to Australia, New Zealand, Singapore and West Asia. According to Chowdary, Indian rose growers make most of their money during the Valentine's Day season in mid-February, when each stem commands a price between Rs 15 and Rs 20.

The recent fluctuations in global currencies did work to the advantage of Indian exporters. But a rise in freight — by 15 per cent in the past two years, ate into those gains. And as Chowdary points out: "While our production costs have increased, buyers have not increased prices."

One way to bring down the production costs is to grow the flowers in regions where agricultural land is cheaper, and labour costs are lower. Thilak Subbaiah, a floriculture consultant in Bangalore, says, these two factors have made African countries an ideal destination for growers. They also enjoy lower freight subsidies, good quality water and sunshine. Also, such regions offer entrepreneurs an opportunity to grow other agri-items and not just flowers (see *Out of Africa*).

While the market for cut flowers is in the doldrums, the silver lining is that demand for dry flowers is flourishing. "We have a competitive advantage in this segment with the availability of fauna and flora and workers to go into forests and collect them," adds APEDA's Ravindra. In 2008-09, dry flowers made up 68 per cent of total Indian flower export revenues. But cut flowers are clearly where the moolah lies. Until the cost structure of Indian exporters changes significantly, cut flowers will continue to be a thorny business proposition. ⊙

EXPORTS ARE WILTING

Source: DGCIS/APEDA, Govt of India

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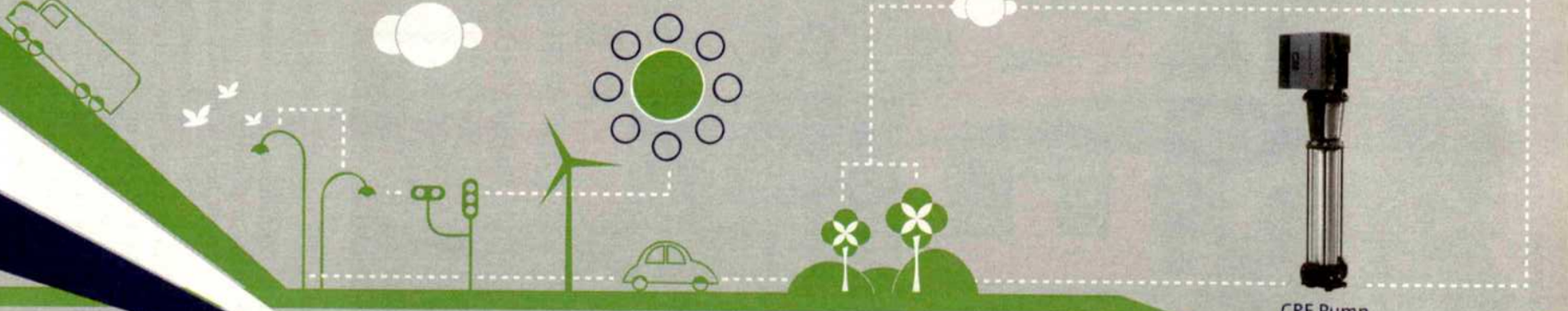

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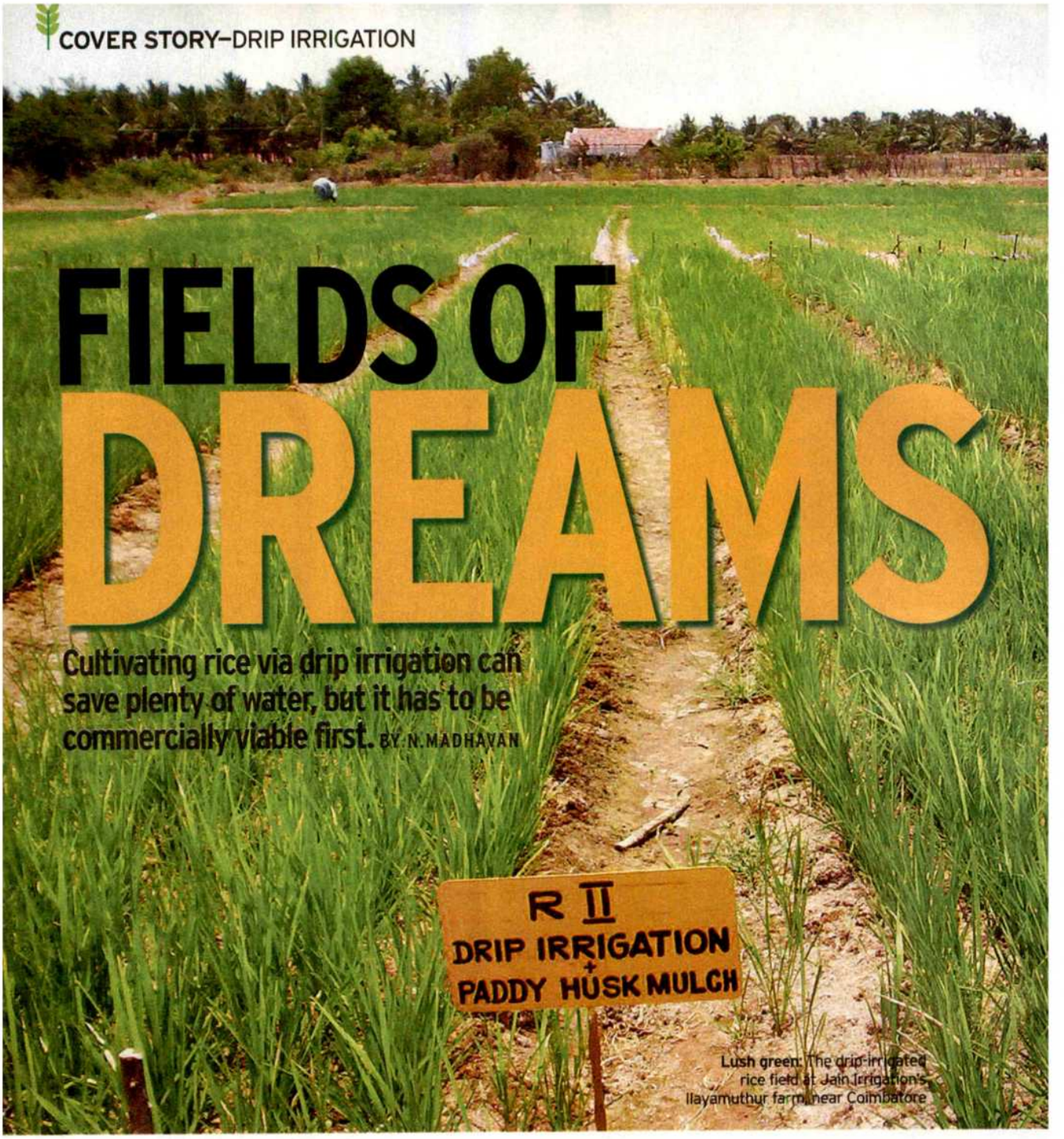
FIELDS OF DREAMS

Cultivating rice via drip irrigation can save plenty of water, but it has to be commercially viable first. BY N. MADHAVAN



Lush green: The drip-irrigated rice field at Jain Irrigation's Ilayamuthur farm, near Coimbatore

They call it the Research & Development & Demonstration (RDD) farm. A visit to the 1,250-acre estate in Ilayamuthur, some 70 km south of Coimbatore in Tamil Nadu, reveals an impressive variety of vegetation — 66,000 mango trees, 37,000 *amla* (Indian gooseberry) trees and over 10,000 coconut trees. The future of India's food security (for that matter, Asia's as well), though, lies at an extreme corner of the farm in an area measuring just about an acre. Here is where Jain Irrigation Systems Ltd, the world's second-largest drip irrigation company, has successfully cultivated rice using drip irrigation.

Drip irrigation, which saves water and fertiliser by allowing water to drip slowly to the plants' roots, was invented by Israeli firm Netafim, Jain Irrigation's bigger rival, way back in 1965. Today, the technique is extensively used for cultivating many cash crops. However, rice, the most-consumed grain on the planet, continues to be grown in flooded fields. That is because paddy is a water

DRIP SYSTEMS HAVE THEIR ADVANTAGES...

Environmentally Sustainable
Even a 10 per cent reduction in water used to irrigate rice would free up 150,000 million cubic metres of water – or 25 per cent of the total fresh water that is used globally for non-agricultural purposes, according to an IRRI estimate

Less Power-intensive
Electricity consumption at Jain Irrigation's drip-irrigated field was half that of a flood-irrigated field

Higher Yields
Yield at the Jain Irrigation farm was 3.8 tonnes per acre, compared to 3.1 tonnes per acre in a flood-irrigated field

guzzler. It takes 5,000 litres of water to produce one kilogram of rice. Compare this with other grain crops, such as wheat, which consumes 1,480 litres per kg, maize (1,150 litres) and barley (1,000 litres). In fact, a third of the world's fresh water resources are used to irrigate rice.

But a looming water crisis across the world and, more so, in developing countries, is forcing researchers to find ways to reduce water usage when cultivating paddy. According to experts, agriculture is the largest consumer of water, using up to 72 per cent of available fresh water worldwide. Consumption in developing countries is even higher, at 87 per cent. But this share is expected to decline to 62 per cent globally and 73 per cent in developing countries due to higher water demand for urban and industrial use.

This has the makings of a major food crisis. For instance, India has 43.4 million hectares of land under rice cultivation and the output in 2009-10 was 89.31 million tonnes. Any limits on water availability will hurt production at a time when it is estimated that India will need 533 million tonnes of rice to feed its people by 2030. One estimate has it, that by 2025, 15-20 million hectares of irrigated rice globally will suffer some degree of water scarcity.

That explains why efforts are underway all over the globe to reduce usage of water in rice cultivation. "Our challenge has been to develop a novel system that is socially accept-

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able, economically viable and environmentally sustainable — something that will allow rice production to be maintained or increased in the face of declining water availability," says Bas Bouman, Senior Water Scientist and Head of the Crop and Environmental Sciences Division, International Rice Research Institute, Manila. IRRI, a non-profit agricultural research centre, has been doing its bit to save water via technologies like alternate wetting and drying (AWD, also known as controlled irrigation) and "aerobic" rice, where the soil is not puddled or flooded (hence, making the soil aerobic, or in direct presence of oxygen). Bouman adds that even a 10 per cent reduction in water used to irrigate rice would free up 150,000 million cubic metres. That's about a fourth of the total fresh water used globally for non-agricultural purposes a year.

Efforts to reduce water consumption, however, have invariably led to a fall in yield vis-à-vis flood irrigation — be it the AWD method, saturated soil culture, raised bed cultivation, aerobic rice or using sprinkler systems — as rice is very sensitive to water stress. "Tackling the trade-off between land productivity and water productivity is the key," explains Bouman.

Jain Irrigation's experiment at Ilayamuthur seems to have achieved exactly that. "Our experiment successfully established that rice can indeed be grown under drip irrigation without any compromise in yield compared to flood irrigation and with substantial savings in water and power consumption," says P. Soman, Jain's Senior Vice President of Projects.

The yield from the drip-irrigated field at Jain Irrigation's RDD farm was 3.8 tonnes per acre, compared to 3.1 tonnes per acre output in a nearby conventional flood-irrigated field. "Also, the drip-irrigated field, spread over 27 cents (less than a third of an acre) consumed only 36.4 lakh litres of water during the crop period of three months, against 108 lakh litres consumed by a similar-sized field under flood irrigation — a saving of over 66 per cent. That apart, electricity consumption halved. At the drip-irrigated field, the electricity consumed was 226 units during the crop period. The experiment also proved that weed growth, in the non-flood method, can be successfully tackled by measures such as mulching, that is, laying a bed of either rice husk or a polythene sheet to prevent weed growth.

...BUT THE ECONOMICS IS STILL NOT COMPELLING ENOUGH

Figures in Rs; *After accounting for cost of a drip system and of rice husk mulching

Source: Jain Irrigation

UTTAM

Exploring Viability

The Tamil Nadu Agricultural University (TNAU) is another institution that's taking a close look at drip-irrigated rice. "The basic challenge has been to irrigate the rice fields in a precise manner. Advancements in science have enabled us to release the exact amount of water. We have been growing drip-irrigated rice for three seasons now and plan to take it to multiple locations soon. It will not be too long before drip irrigation of rice can be commercialised," says S. Chellamuthu, Director, Water Technology Centre, TNAU.

But challenges remain. To start with, the commercial viability of drip irrigated rice has to be proven. If the outcome of the Jain Irrigation experiment is extrapolated in terms of revenues, a farmer will earn less (Rs 6,600 per acre) in drip irrigation than through the conventional method (Rs 8,300 per acre). That apart, he will have to make a one-time investment of Rs 57,000 an acre to set up the drip irrigation system, which typically will last for 10 crops. Also, with most states supplying water and electricity free to the farmers, the motivation for them to move to drip irrigation is unlikely to be high without a massive subsidy.

There is also the issue of right varieties. "As rice has always meant flooded rice, not much research has gone into developing rice varieties that grow well under non-flooded conditions. We are now working on them and are confident that we will soon come out with a variety that will offer the same yield as the flooded rice variety," says K. Mohanasundaram, Professor and Head, Department of Rice, TNAU.

Jain Irrigation, on its part, will continue its research for another two years. "We want to fine tune the process and look at further savings in cost, especially in fertiliser and pesticide use through fertigation (application of fertiliser through an irrigation system)," says Soman. He is confident of commercialising drip irrigation in rice cultivation. "Even if 10 per cent of the total paddy area of the 43.4 million hectares, especially areas that are rainfed, are brought under drip irrigation, rice output can increase to 130 million tonnes by 2020," adds Soman. If that happens, that will go some way in adding muscle to the fight against hunger — as well as in freeing up more fresh water for drinking and sanitation. ⊙

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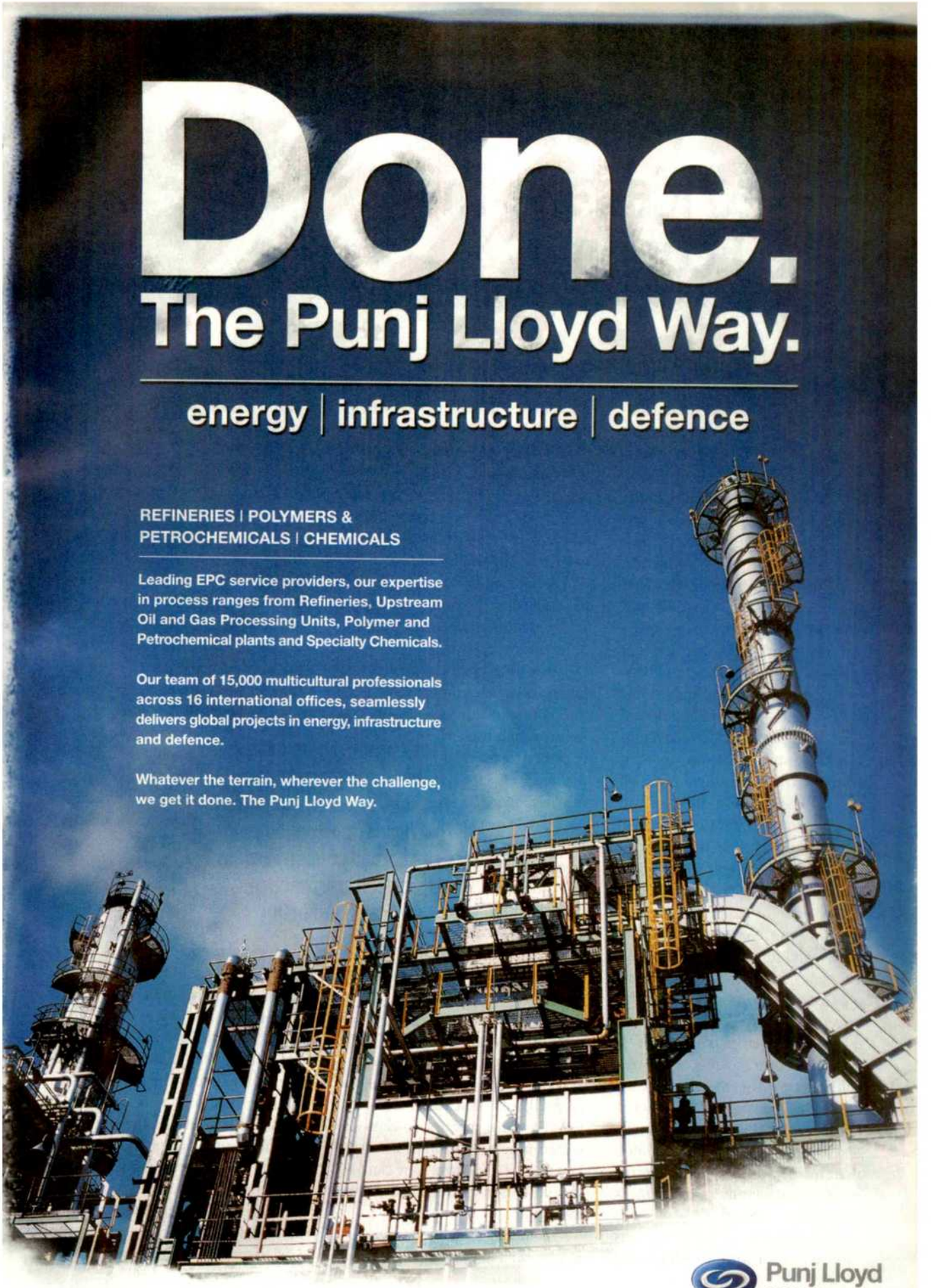

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BY SIDDHARTHA ROY // ECONOMIC ADVISOR // TATA GROUP

How to Manage the Food Economy

As the economy moves on to a new growth trajectory, expectations from the agricultural sector would also be changing. A seven per cent-plus trend growth in per capita income can lead to a significant growth as well as diversification of the food basket. Higher incomes will enable consumers to spend on high value and better quality food items; consequently the composition of food demand will change. Given the limited availability of land, the emerging demand will have to be met through productivity growth or yield increases. It is easier said than done. Institutional legacies like fragmented land holdings and unclear land rights, limited investment in irrigation, agricultural R&D and infrastructure as well as distortion-creating subsidies will continue to constrain yield improvement. More often than not, subsidies and higher minimum support prices lead to wrong choice of crop, fertilisers and water usage.

There have been several studies on the demand-supply balance of cereals. The basic conclusion is that India will not face an immediate shortage so far as cereals are concerned. However, there are three crops that will get affected immediately: pulses, edible oils, and sugarcane. Over the next 10 years, the demand-supply gap for pulses will treble, that of edible oils will double and for sugar it can go up six times. Unfortunately, the focus of the government's "food security" programme is mainly on cereals.

Management of the food economy will require four elements: Increasing yields for meeting domestic demand; meeting demand through a combination of growth in domestic output and imports; creating enabling conditions for a high-value food economy (which will include items like milk and its products, fruits, vegetables, poultry and fish); and a focus on exports of select items where competitive advantage exists and international prices are expected to remain firm. None of these can be achieved without an understanding of the entire supply chain.

Since the Green Revolution, there haven't been too many breakthroughs in Indian agriculture, barring BT cotton. However, the spread of best-in-class agricultural practices can be of help. We have often noticed that two contiguous districts in the same agro-climatic zone have widely different yields. This is particularly true for pulses. Such problems can surely be addressed. The regional differences in overall agricultural growth rate, say between Gujarat and Assam, can be very substantial. While the average yield in most of the crops is lower in India compared to the world average, our best-in-class districts can favourably compete with the best in class elsewhere. Why can't we take the best- in-class practices around the country?

Since the Green Revolution, there haven't been too many breakthroughs in Indian agriculture, barring BT cotton; however, the spread of best-in-class agricultural practices can be of help.

As incomes increase, there is a marked shift in the share of expenditure from cereals to other food items; between 2004-05 and 2007-08, the share of cereals in rural as well as urban India has come down by a full percentage point. Interestingly enough, the National Sample Survey (NSS) data shows the per capita quantity consumed of cereals is trending down too: Between 1993-94 and 2004-05, the per capita quantity consumed in 30 days declined from 13.4 kg to 12.12 kg in rural India; in urban India it declined from 10.6 kg to 9.94 kg. There is a significant shift from cereals to other food items. The demand for pulses, edible oils, sugar, meat, fish and egg continues to go up. In recent NSS data, one of the sharpest increases is observed in beverages, refreshments and the processed foods category.

Finally, for managing the supply chain from farm to the consuming household and investing in it, one needs a stakeholder who can offer better returns to the farmer and more competitive prices to the consumer. It is in this context that modern retailing can play a significant role. Once modern retailing starts gaining economies of scale and scope at the front end, the back-end procurement of agri products as well as warehousing, cold storage and transportation network would fall in place. This will bring down wastage and add to the overall availability of food items. ⊙

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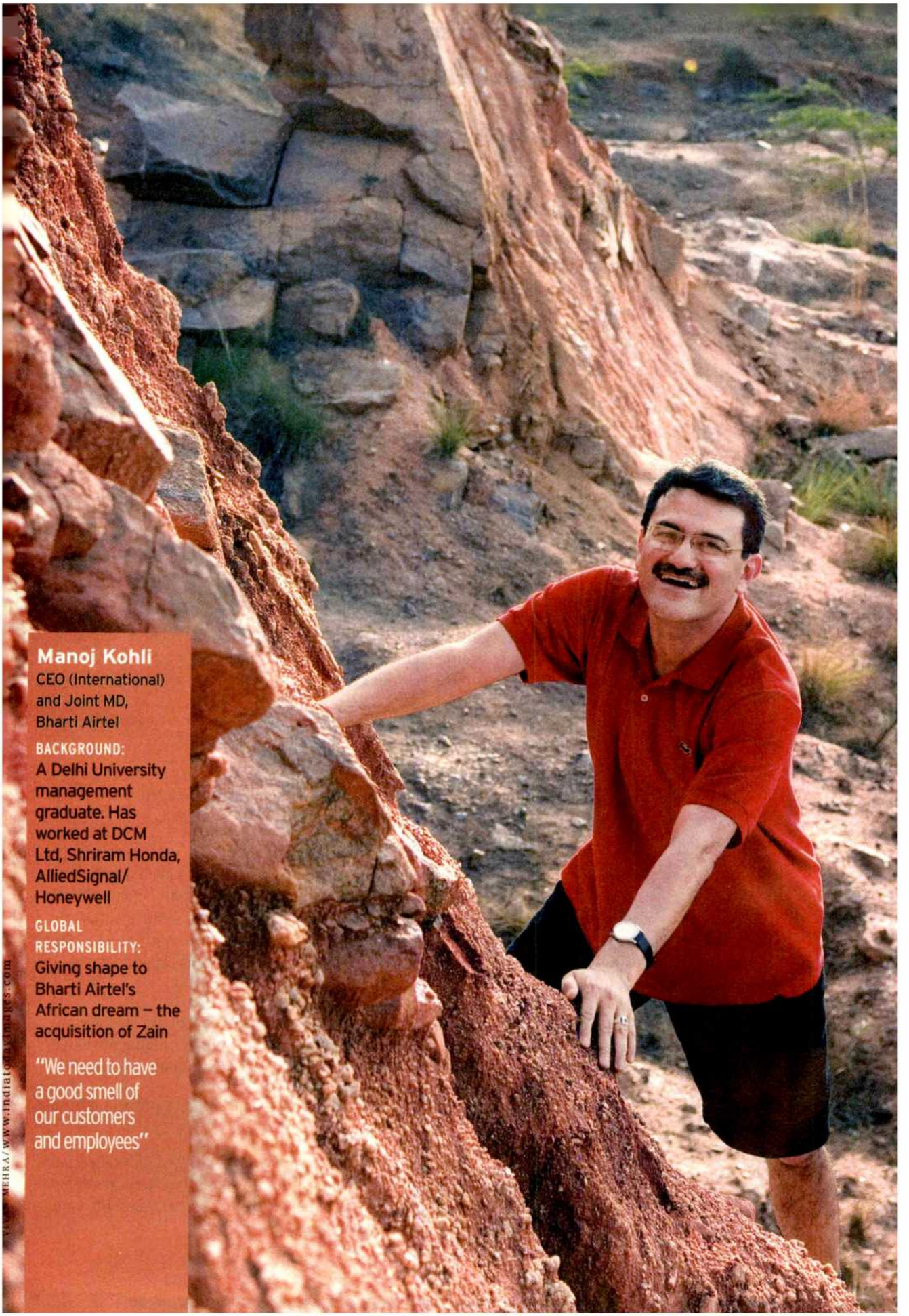


Manoj Kohli
CEO (International) and Joint MD, Bharti Airtel

BACKGROUND:
A Delhi University management graduate. Has worked at DCM Ltd, Shriram Honda, AlliedSignal/ Honeywell

GLOBAL RESPONSIBILITY:
Giving shape to Bharti Airtel's African dream – the acquisition of Zain

"We need to have a good smell of our customers and employees"

VIPIN MEHRA/WWW.INDIATODAYIMAGES.COM

FOREIGN EMPIRES, INDIAN LEADERS

As India Inc. spreads abroad, it is sending its home-grown talent to take charge. BY ANAND ADHIKARI

Manoj Kohli was in Africa recently — on a whirlwind business tour and not for the FIFA World Cup. In a little over 20 days, he hit 16 countries, holding up to six meetings a day. Kohli did manage to sneak into South Africa for the finals, though.

Kohli, CEO (International) of Bharti Airtel, does not have an easy job ahead: Chairman and Group CEO Sunil Bharti Mittal has sent him to steer Zain, Africa's second-largest mobile telephony player, which the Indian company acquired in June this year. Kohli has been asked to re-brand Zain as Airtel by October, reach revenues of $5 billion (Rs 23,000 crore) and double the subscriber base by 2012. Africa is completely new terrain for Kohli, who had visited it just once, in 1993, as a tourist. But the posting is what he had been looking for after three decades in Indian business.

Kohli doesn't mind his new schedule. "We need to have a good smell of our customers and employees there," he says. The 51-year-old, who happens to speak some French, the language in half a dozen African countries, represents an emerging breed of home-grown Indian professionals who are taking charge of big acquisitions abroad or of regions.

Kamesh Goyal, Country Manager of Allianz, the insurance major, as well as MD and CEO of its Indian venture Bajaj Allianz Life Insurance, is another home-grown professional who has had a stint in Africa. He represents a sub-set that honed its skills in India with local companies and is now playing a role in the global strategy of multinationals.

Goyal, 44, who completed his overseas assignment as Allianz's CEO for West Asia and North Africa just four months ago, says: "It didn't really make as strong a business case as we had thought it to be." Goyal had been given the assignment by Allianz's CEO Michael Diekmann in early 2008, months before the Lehman collapse hit global markets.

Diekmann's choice had surprised many as Goyal had never worked abroad — he had been with New India Assurance Co., the government-owned general insurer, and later KPMG India, before joining Allianz as its second employee in India in 1999, when insurance was opened to private competition.

Goyal reported back to Diekmann with an interesting finding about West Asia and North Africa: even a substantial market share would give it very small business volumes because markets were fragmented, with sparsely populated countries. And insurance companies face a very high capital requirement and a tedious licensing process there. Goyal is today part of Allianz's international executive committee, which discusses strategy for the group.

Elsewhere, at the Vikhroli headquarters of the Godrej Group, Naveen Gupta is busy clearing his desk to take charge of its new Indonesian operations. Flagship Godrej Consumer Products has acquired the Megasari Makmur Group, a leading household care company there. The acquisition has made Godrej a name to reckon with in Asia's household insecticides market.

NISHIKANT GAMRE/www.indiatodayimages.com

Naveen Gupta

Country Manager (Indonesia), Godrej Consumer Products

BACKGROUND: Spent a large part of his professional life with the Godrej Group in various posts

GLOBAL RESPONSIBILITY: To shape Godrej's Indonesian dream, having acquired Megasari Makmur

"Indian professionals's entrepreneurial and structured strategic approach is well known"

At the Aditya Birla Group's headquarters some 15 km away, half a dozen top executives are missing: they have gone to Brazil, China, Indonesia, Australia and elsewhere to take charge as country heads.

Like Allianz's Goyal, Deepak Chandnani of Obopay Inc., the mobile payment solutions provider, is another Indian getting a place on the global stage of multinationals. In May, Obopay made Chandnani — who was already its President for Asia and Africa — President for Global Operations.

The next month, Lalita D. Gupte, a veteran of ICICI Bank and currently Chairperson of ICICI Venture Funds Management Co., made news when she was inducted into the board of French multinational Alstom in a non-executive role. She was already on the board of Nokia. In August 2008, Gupte's ICICI colleague Kalpana Morparia, who took over as JP Morgan's India CEO, got a seat on its Asia Pacific executive committee.

Obopay's Chandnani says all this reflects the recognition of Indian talent in the global marketplace and their adaptability in foreign territories. "Today, companies need the best talent," he says.

So, what gives the home-grown Indian professional an edge? For one, many are adept at dealing with global customers, suppliers and consultants, simply because many companies have such linkages.

Gupta of Godrej cites the entrepreneurial and structured strategic approach of Indian professionals. "That probably is a big plus point in delivering results," says the man who is the first Godrej professional to head a foreign territory. (Godrej's ventures in Britain, South Africa and Latin America are headed by locals.)

The experience of outbound Indian professionals will also help India Inc. find talent for its global ambition, says Santrupt Misra, Head of Human Resources, Aditya Birla Group. Misra and many high-flyers say Indian professionals find it easy to adapt to a new environment or culture because they are used to dealing with multiple languages and cultural diversity at home.

"It is also about the industry and the country," says Gupta. Indian companies have extensive experience in highly competitive businesses such as telecom and consumer goods, and the learning can be replicated in emerging markets that are similar to India. Then, Africa, where Airtel's Kohli is bound, or Indonesia.

Vijay Subramaniam

CEO (International Business Group), Marico Ltd

BACKGROUND: An engineering graduate. Started his career with United Breweries, then worked with Pepsi and Henkel India, before joining Marico

GLOBAL RESPONSIBILITY: Credited with half a dozen acquisitions, including brands and companies

"An international assignment is like wearing multiple hats right from building brands and entering markets to consolidating markets and building cultures"

UMESH GOSWAMI/www.indiatodayimages.com

where Godrej is sending Gupta, are yet to become the stronghold of any multinational.

"There are similarities between India and Africa when you see the diversity, population, the middle class, young population and also urbanisation," says Kohli of Bharti.

There is also the cost aspect. "It's a talent arbitrage," says a professional who was interviewed for this story. It is far more expensive to get a Harvard-educated professional than, say, an IIM graduate — who will probably deliver the same result.

But the advantages do not make the job abroad a cakewalk. "It's like wearing multiple hats," says Vijay Subramaniam, CEO of the International Business Group at Marico. He was sent out in 2006 with a mandate to expand international operations, and has delivered.

Subramaniam says understanding consumer behaviour is critical. Marico created its Parachute hair cream for West Asia, where coconut oils have a limited market but people have to deal with high chlorine content in water. Today, it has 20 per cent of the hair cream market there.

Godrej's Gupta, similarly, plans to spend a few days in an Indonesian household, observing what products the family uses. "Unless you know how a consumer lives and uses a product, there is no way you can create value," he says.

India Inc. also seems to have realised the need for a long-term strategy instead of just acquisitions to enter new markets. As the Aditya Birla Group's Misra says of the executives posted abroad: "They are not going to manage any unit or a factory." They will be the group's listening posts, understanding the local market and growth opportunities.

"Your own man can, perhaps, do a lot more fact-finding (than a consultant) and that knowledge remains with us," he adds.

JP Morgan's Morparia says today's world is all about better connectivity and flat organisations. "The information is so pervasive that the traditional command control structures don't work," says Morparia, who often walks down to another room for a conference with the Hong Kong office or headquarters in New York.

Will they make a difference? Following Goyal's feedback, Allianz applied the brakes on its plans to expand in West Asia and Africa. Marico's Subramaniam has taken the revenue share of the international business from a single digit to almost 25 per cent.

That's what is probably expected from others. ⊙

Thinking Blue Sky

DTH firms in India sight profits as they find themselves on the cusp of what promises to be the world's biggest market for satellite-based TV services.

BY ANUSHA SUBRAMANIAN and KUSHAN MITRA

Entertainment will never be the same again for Yash Panwar, 25, in Uttarkashi. The professional mountaineer from the Uttarakhand village is ecstatic that he and a constant retinue of house guests can watch the latest Bollywood flicks just three weeks after release — at just Rs 50 a day, with multiple viewings thrown in.

All the excitement thanks to a Dishtv direct-to-home satellite television connection, commonly referred to as DTH, which he installed at home eight weeks ago at an upfront cost of Rs 1,590 and Rs 150 a month subscription. The alternative earlier, says Panwar, was either to watch the much-telecast movies on government-run Doordarshan or a six hour drive to Dehradun to catch the latest Bollywood releases. And, in the weeks gone by, the new DTH connection also had a bonanza: the telecast of the FIFA World Cup.

Uttarkashi is not atypical on India's rapidly expanding DTH frontier. It really does not matter if you are in a bungalow in Walkeshwar in South Mumbai or at 13,000 feet above sea level in the far-flung areas of Uttarakhand — a TV signal is just a satellite hop away. Even Indian soldiers posted on the Siachen

Entertainment on tap: Jawahar Goel's Dishtv has led the Indian DTH march

SHEKHAR GHOSH/www.indiatodayimages.com

Glacier count DTH-delivered TV service as their biggest source of entertainment today.

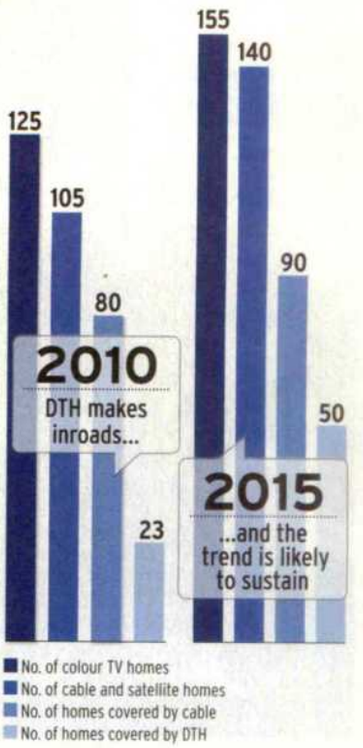
In effect, what DTH is doing to television viewing in India today is what the mobile phone has done for communication in the last decade or so. Like mobile telephony in its early days in India, TV signals that bounced off a satellite to your home were initially touted as a product for rich consumers but have gained in mass appeal since. On offer are entertainment, news and lots more to viewers even in those remote pockets where neither public television nor cable have penetrated.

Through the transition, the DTH industry has grown from 1.5 million homes in 2005 to 23 million today. And, if research firms such as Hong Kong's Media Partners Asia, or MPA, are to be believed, the industry is well on its way to doubling that number by 2012, making India the world's biggest DTH market, ahead of the United States. Yes, that will still lag cable homes (which number 80 million) but will make big revenues. Brokerage IDFC Securities sees the handful of DTH companies in the fray earning total revenues of Rs 12,500 crore in fiscal 2015, taken together.

That potential explains the battle of elbows between the likes of Dishtv, Tata Sky, Airtel, BIG TV, Sun Direct and Videocon D2H today for market share. It also throws light on why India is one of the few, if not the only, national market in the world that has half-a-dozen players fighting it out when market structures elsewhere are mostly a monopoly or a duopoly, given the heavy investments that the business takes up.

The big play for DTH in India, believes Jawahar Goel, Managing Director, Dishtv, is a virgin market served only by terrestrial broadcaster Doordarshan. In several swathes of the hinterland, he explains, "people do not have any access to cable TV in the first place; DTH brings them their only source of entertainment". Of the some 125-million colour TV sets in India, his company estimates, about one-third have no access to cable and satellite channels.

With some seven million homes, Dishtv, the first entrant in the DTH space, is also the biggest in the business by number of customers. It is closely followed by Tata Sky, a joint venture between the Tata Group and Rupert Murdoch's News Corp., which counts 5.5 million homes among its customers as of end-June. Third in line is Chennai-based Sun Network's Sun Direct. The entry of big private players such as Reliance ADAG and Bharti Airtel about a year-and-a-half ago, and that of Videocon D2H just six months ago, had the market exploding like never before



DTH HAS DELIVERED FASTER THAN EXPECTED WHILE CABLE HAS LAGGED

WHAT DELIVERED

- **35 million** additional homes
- **$2.5 billion** invested in DTH
- **22 million** paying subscribers

WHAT DIDN'T

- Mandated conditional access failed
- Cable industry has attracted just $400 million
- Customer revenue to $3.6/month

Source: IDFC Securities Research

UMESH GOSWAMI/www.indiatodayimages.com

(see *The More the Better*).

The business logic for different players in the market varies. Some like Dishtv, Tata Sky and Sun Direct see DTH as a forward integration of the programming businesses that they run through Zee TV, STAR Networks and Sun Networks, respectively. For Videocon D2H, the entry is backward integration. "Our in-house capability of designing, managing and integrating the set-top box inside the television has enabled us to grow faster," says Saurav Dhoot, Director, Videocon Group.

Others, such as Airtel or BIG TV, see DTH as a natural corollary to mobile telephony, the main business of their parents. Bharti Airtel and Reliance Communi-cations are the top two players in mobile telephony in India by customers.

Airtel's trump card, it believes, is its network of some 150,000 points of sale built up for the telephony business.

VIKRAM KAUSHIK, CEO & MD, Tata Sky

"This industry has entered a price war too early in its life cycle"

"Most retailers who can recharge an Airtel mobile can also recharge Airtel DTH," says Ajai Puri, CEO, adding that nine in 10 of Airtel's DTH recharges are done electronically. This gives it copybook benefits of cross-selling multiple services through the same distribution chain. His company is adding some 250,000 new DTH subscribers every month, he claims, and totals four million today.

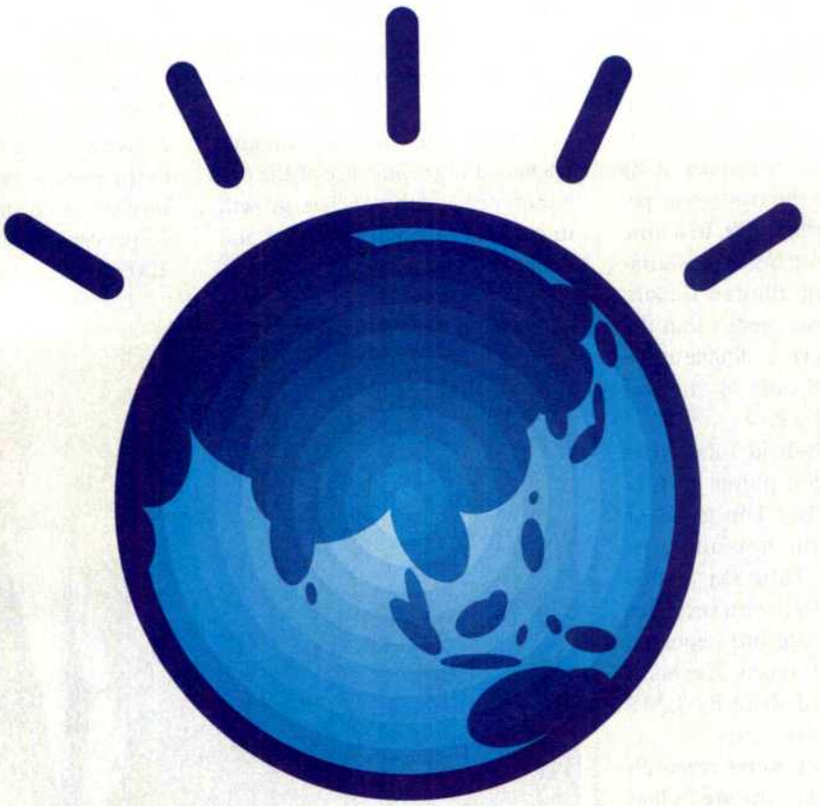
Sun Direct is banking on its parent's regional language channels and has learnt to dominate the game fairly early on. CEO Tony D'Silva believes Sun Direct found acceptance thanks to the Sun TV brand and today has 65 per cent market share in the DTH market in southern states. Even with that dominant southern skew in its business (it sells aggressively in Mumbai, Delhi, Ahmedabad and Kolkata, too), Sun Direct recently claimed it overtook Tata Sky to the No. 2 in the business spot with 5.7 million customers.

THE MORE THE BETTER
The Indian DTH market is crowded

DTH Venture	Group	Investment by operator ($ million)	Sub-scribers (million)	Market Value* ($ billion)
dishtv	Essel Group	400	5.4	5
TATA sky	Tata & News Corp	>600	4.5	75
SUN DIRECT	Sun Net-works	600	4.3	5
RELIANCE BIG TV	Reliance ADAG	<400	3.0	26
Airtel	Bharti Airtel	400	2.2	25
VIDEOCON d2h	Videocon	200	1	1.5

*Market value of promoters backing the DTH venture. Data as of March 2010
Source: IDFC Securities Research

Building a Smarter Planet: 1 in a Series



Welcome to the decade of smart.

A year ago, we began a conversation about how our planet can become smarter. A year into this new era, the signs of a smarter planet are all around us. Smarter systems are creating value in every major industry across the world.

Intelligence is being infused into systems and processes that make the world work — cars, appliances, traffic systems, power grids, even natural systems such as agriculture and waterways.

Trillions of digital devices, connected through the internet, are producing an ocean of data. And that information can now be turned into knowledge because we have the computational power and advanced analytics to make sense of it all.

In a study of 439 cities, those with transportation congestion systems reduced average travel delays by more than 700,000 hours annually. Leading retailers reduced supply chain costs by up to 30% and increased sales by up to 10%.

It's happening in India as well. Grameen Koota, a micro-finance organisation, employed a real-time data transmission system that drastically reduced loan approval processing time and increased their served customer base of 70,000 to over 400,000 in less than three years. Indian Railways implemented an automated Crew Management System to manage its workforce of over 100,000 employees, resulting in new efficiencies in daily operations.

We've learned a lot over the past year about what it takes to build a smarter planet. We've also learned about the issues it raises in India and elsewhere — like protecting personal information and securing critical infrastructures.

Business leaders, policymakers and government officials around the world are currently stepping up to these challenges. The time to act is now, and the way to act is together. The decade of smart is under way.

Let's build a smarter planet. Join us and see what others are doing at **ibm.com/smarterplanet/in**

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The aggression and hype show on the bottom line of the DTH players: not one has yet reported net profits. Dishtv made its first operational profit, of Rs 91.5 crore, in 2009-10 but had accumulated losses of Rs 1,140 crore for the three-year period ending March 2009. In a June 2010 report, IDFC Securities analysts Nikhil Vera, Bhutan Gadara and Swati Angelia predict that the listed firm will turn profitable at the net profits level only by the last quarter of 2011-12.

The privately-held Tata Sky is the second-largest player by subscribers, but is No. 1 in terms of revenues, say the IDFC analysts. They estimate Tata Sky ended financial year 2010 with revenues of Rs 1,100 crore but reported losses of Rs 900 crore. The company has invested about Rs 3,265 crore in the last four years.

MPA, the Hong Kong research outfit, reckons that the six Indian DTH firms lost a total of $464 million (Rs 2,134 crore) in 2009 at the operating level. This poor performance is a consequence of rock-bottom pricing to attract customers. DTH service, which began selling at Rs 4,000 for a set-top box, including installation, is now available for Rs 1,600-1,700. The latest price war started in June with the introduction of high definition (HD) services at a heavily subsidised upfront price ranging between Rs 2,599 and Rs 2,990. To sign up each new customer, a DTH company spends an estimated Rs 3,000 but has to make up for that and other costs with an average revenue of Rs 150 a month from each home.

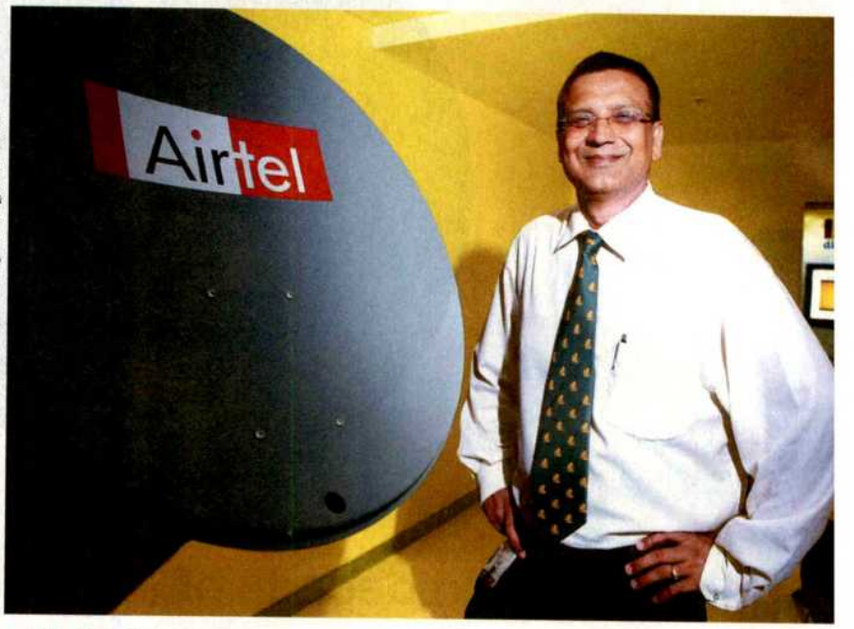
Tata Sky Managing Director and CEO Vikram Kaushik says his industry entered a price war too early in its life cycle. What doesn't help is that cable operators, who DTH players compete with while delivering services in cities, have kept their subscription charges at as low as Rs 100 a month in certain pockets.

Sanjay Behl, who runs BIG TV as CEO of Reliance Communications' DTH and Internet protocol TV business, points out that the economic viability and profitability of the DTH industry rest on three pillars: growth in customers, cost of content and taxation of the sector. Content pricing "for DTH platform at 50 per cent higher than analog cable TV pricing is ridiculously high given the current levels of under-declaration in analog cable industry", he says. India's cable TV providers have been accused of not reporting accurately the number of homes they connect because payments to broadcasters are linked to such customer numbers. High levels of taxation and licence fees, at a cumulative 45 per cent, are another hurdle. "If these things get corrected, we will have a profitable industry," says Behl.

Even so, TV viewing, clearly, is gravitating towards DTH as television buying in India shifts to LCD (liquid crystal display) flat panel displays — some 11.5 per cent of TVs sold in 2009 were flat panels. Data from elsewhere show how that will grow in the coming years. Research firm DisplaySearch says that more than 75 per cent of worldwide TV sales in 2009 were LCD-based. Other experts point to China where conventional tube-TVs made for 80 per cent of television sales in 2008 but this year will account for just 20 per cent sales with flat panel TVs making for the rest. As Indians buy bigger screen LCD TVs, DTH will likely be the preferred conduit for HD-quality video over other media like digital cable networks or IPTV. Most cable networks in India still run on analog technologies and IPTV has hardly made its presence felt.

The sky suddenly looks sunny for India's DTH firms. ⊙

ADDITIONAL REPORTING BY NITYA VARADARAJAN



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AJAI PURI, CEO, Airtel DTH

"Most retailers who can recharge an Airtel mobile can also recharge Airtel DTH"

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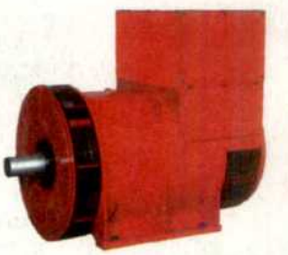

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Eko's Abhishek Sinha: Bitten by the entrepreneurial bug

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The Last Milers

A few nimble players are furiously delivering financial services to a widely dispersed population and are making money – one customer at a time.

BY T.V.MAHALINGAM

Manish Khera looks back at his days with ICICI Bank, more than half a decade ago, with just that small touch of nostalgia. Before quitting the country's biggest private bank, Khera used to work with the Major Clients Group of the lender. "The clients were oil and petrochemical majors.... the Navratnas... and a single deal would be worth about Rs 500 crore," recalls Khera of those government-owned clients, while lounging in the 'chill room' of the start-up he heads, FINO.

"But now, with (FINO'S) customers,

you not just knock off the crores, but also the zeroes," chuckles Khera, 40. The self-deprecatory description of his business can be misleading. Navi Mumbai-headquartered FINO — short for Financial Information Network and Operations Ltd — is the largest so-called banking correspondent in the country.

Some 10,000 *bandhus*, as FINO's agents are called, in 266 districts across 21 states cover 100,000 villages to reach over 16 million customers — around two-thirds of whom are banking customers and the remaining consumers of insurance and government services. And by the year-end, FINO's revenues will more than double to Rs 250 crore from Rs 100 crore last year and the number of *bandhus* will grow to 25,000.

Not many in corporate India can boast of such growth in either headcount or revenues. But, then, not many can claim to serve as untapped a market as FINO does and that, too, with little by way of competition.

FINO extends its services to the unbanked — there are over 400 million such Indians. Even if it doubles the number of people it reaches out to by the year-end, it would still cover but a fraction of the unbanked population. FINO is not a bank; it's just a last mile connector. It helps big banks like the State Bank of India (SBI), Punjab National Bank (PNB) and HDFC Bank acquire and service customers who are located far into the hinterland or are too small for most banks to service directly. With a console the size of a brick, FINO's *bandhus* facilitate cash withdrawals, deposits, and even loans on behalf of the banks.

Outfits like FINO owe their evolution to a January 2006 decision by the Reserve Bank of India that allowed banks to appoint banking correspondents or agents on its behalf to collect deposits and deliver credit in rural and remote areas. A Little World and Eko India Financial Services are some of the other companies that have come up to connect banks with

THE FACILITATORS

A clutch of small, but fast-growing private players is connecting the proverbial last mile of financial inclusion.

FINO

- Biggest player in the industry
- Revenues of Rs 100 crore; expects to grow to Rs 250 crore in 2011-12
- Reaches out to 16 million people
- Customers include 10 banks and six insurance companies
- Facilitates NREGS payments of Rs 150 crore per month to five million people in AP, Karnataka, Haryana, Madhya Pradesh and Rajasthan
- Over 10,000 *bandhus* across the country

A Little World

- Over 10,300 outlets in the country, targets 30,000 locations by the end of the year
- Has 5.7 million customers, plans to touch 10 million by the end of the year
- Has operations in every state and Union territories
- Largest customer is SBI
- NREGS operations in Andhra Pradesh

EKO

- Among the newer players to enter the segment (Feb. 2009)
- Over 500 outlets (grocers, pharmacies, stationery shops, small cyber cafés, telecom shops, etc.) across Delhi-NCR, four districts of Bihar and one district of Jharkhand
- Over 70,000 customers transacting between Rs 15 lakh and Rs 20 lakh everyday across 1,500-2,000 transactions
- Working with the Bihar Government for disbursal of payments to Accredited Social Health Activist (ASHA) workers

OTHERS

- Software major TCS is working on a pilot project using the banking correspondent model in Gujarat for the Bank of Baroda
- Venture Infotek, among the country's largest transaction processing companies, plans to enter the segment. Venture Infotek has already provided over 100,000 biometric cards for RSBY in Punjab and Maharashtra, and will be covering around 200,000 BPL households in Gujarat shortly

new unbanked customers.

Industry estimates put the bank accounts serviced by these players at about 18 million. Of these, roughly 11 million are serviced by FINO, the biggest player in the segment, followed by A Little World or ALW with 5.7 million and a million-odd customers by a host of new entrants.

The opportunity has attracted some big names, too: Tata Consultancy Services, India's biggest tech services provider, is said to be working on stealth-mode pilot projects with the likes of Bank of Baroda and PNB using a banking correspondent model.

The business has also attracted others such as transaction processing company Venture Infotek. For the last three years, the Mumbai company has been working on financial inclusion projects across the country, not just providing technology, but connecting the last mile for government projects like the Rashtriya Swasthya Bima Yojna (RSBY), a national health insurance programme for poor households.

Venture Infotek has provided over 100,000 biometric cards for RSBY in four districts of Punjab, as also Maharashtra's Amravati district. Next on its radar are Valsad and Navsari districts in Gujarat, where it plans to cover around 200,000 poor households, says Piyush Khaitan, its Managing Director. The company is also looking at disbursal of funds under the National Rural Employment Guarantee Scheme (NREGS) and related banking transactions. "This is a market we cannot afford to ignore," says Khaitan.

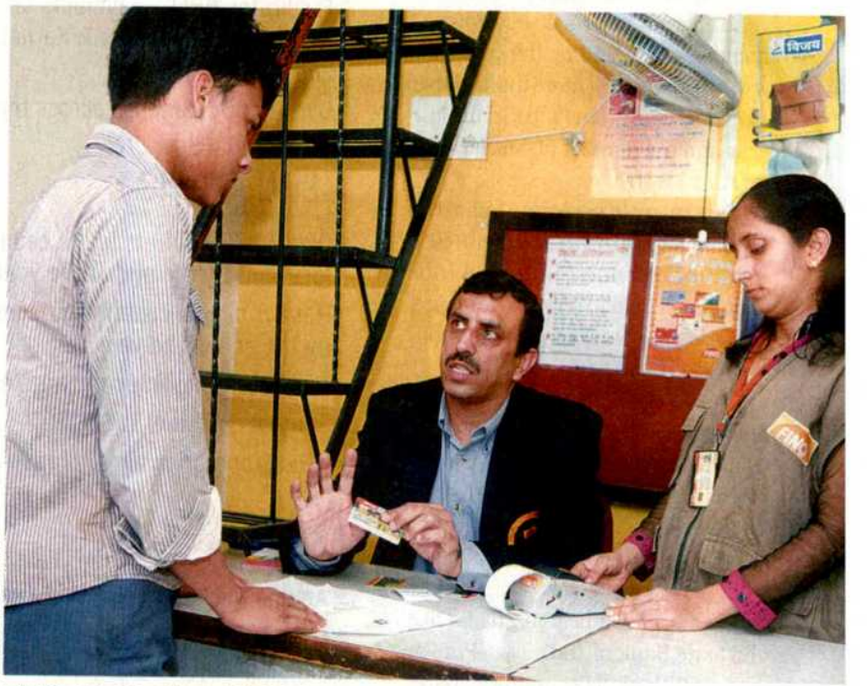
Each of these players has a unique model, though, as FINO's Khera says, it is all about delivering banking operations on the ground. "Card companies think this business is about cards. Technology companies enter this space thinking that they can sell their computers or software. The technology people use to achieve this might be different...," he says.

Abhishek Sinha is a prime example. A true blue geek, Sinha approached the problem of financial inclusion with heavy-duty technology. The entrepreneurial bug bit Sinha in 2002 and he quit Satyam Computer Services to co-found Six DEE Telecom Solutions, a telecom value-added services company. He exited that in early 2007 and founded Eko that September as a "low cost distribution and payment infrastructure to extend and enable instant small value financial transactions". After a false start which saw Eko's first customer, Centurion Bank, being taken over by HDFC Bank and that account going nowhere, Eko geared up operations in early 2009.

Today, Eko's banking services on behalf of SBI are available at over 500 outlets such as grocers, pharmacies, stationery shops, small cyber cafés, telecom shops, among others, across the National Capital Region (NCR), four districts of Bihar, and a district in Jharkhand. "As an organisation, Eko made two important choices. One, to use the cellphone as a medium for the transaction. The other was getting the retailer to be a community banker," says Sinha. And, the model is simple: the customer's cellphone works as a debit card, while the retailer's mobile phone doubles up as a point-of-sale device. Using their phones, customers can draw or deposit cash in a manner akin to a 'talk-time recharging' transaction.

"In less than a year and a half, we have over 70,000-plus customers transacting between Rs 15 lakh and Rs 20 lakh everyday over 1,500-2,000 transactions," says Sinha, adding Eko has transacted more than Rs 20 crore in a total of 230,000 transactions to date, including deposits, withdrawals and money transfers.

Despite such success and the obvious potential for growth, is this an easy market waiting for the taking? The answer is no. Just the logistics of reaching out to rural India can be nightmarish and take years to build. It can be particularly daunting when the task at hand means issuing 30 million cards, like



UMESH GOSWAMI

FINO's Manish Khera (C): Not just knocking off the crores, but the zeroes, too

Indian Institute of Management Ahmedabad

Two-Year Post-Graduate Programme in Agri-Business Management

IIMA's expertise and commitment to the agri-business sector date back to its inception, when the Institute had accepted managerial issues related to agriculture, food and other socially important sectors as part of its thrust areas. The Post-Graduate Programme in Agri-Business Management (PGP-ABM) is specially designed to transform dynamic and determined individuals into excellent managers and leaders in these sectors.

This is a sector-specific programme at IIMA and is special, when compared to some other agri-business management programmes around the world, as it is firmly rooted in IIMA's management culture and philosophy.

The first year of the programme provides a strong foundation in general management with exposure to multiple areas of management. Building on this foundation, the second year courses equip students with specialized (sector-specific) multi-functional knowledge and skills that are required by agri-business sector managers for excellence in planning and decision-making.

COURSE OBJECTIVES

With a powerful blend of faculty, staff, alumni, and corporate partners working together to achieve excellence, the programme attempts to:

- equip students with the required conceptual and interpersonal skills along with a sense of social purpose for managerial decision making and implementation in the unique context of agri-business;
- encourage agri-preneurship among students to transform them into successful professionals within the agri-business sector;
- develop leadership capabilities in students, enabling them to adapt to change and motivate the organizations they work in;
- widen students' vision and instil in them values of professionalism, integrity, ethics, and social commitment.

Essentially, the programme trains students to leverage and lead the immense potential agri-business offers in India and the world.

COURSES AND PEDAGOGY

The programme offers a range of compulsory and elective courses. Many of the elective courses are revised or changed from year to year depending on need and interest of the field and the programme. Some of the courses that have been offered in different years in the recent past are given below:

• Agricultural and Food Policy • Agricultural Finance • Agricultural Futures and Options Markets • Analyzing and Building Competencies • Business Forecasting • Carbon Finance and Agri-business • Design and Dynamics of Development Organizations • Digital Inclusion for Development • Econometric Analysis for Agri-business • Franchising in Agri-business • Global Agri-business: Operations and Strategies • Globalizing and Resurgent India Through Innovative Transformation • International Agricultural Trade and Policy • International Marketing • Logistics, Supply Chain and Infrastructure Management in Agri-business • Management and Finance of Agro-Food Projects • Management of Micro Finance • Management of Technology for Sustainable Agriculture • Market Research for Agri-business • Managerial Communication for Agri-business • Marketing of Agricultural Inputs • Private Public Community Partnership for Inclusive Agri-business • Public Finance • Rural Marketing • Rural Advertising • Rural Environment and Institutions • Sales and Distribution Management for Agriculture • Shodh Yatra • Strategic Food Marketing • Strategic Management of Intellectural Property Rights • Theory and Practice of Business Negotiation • Understanding Creativity, Innovation, Knowledge, Networks and Entrepreneurship • Vertical Coordination in Agri-business

In the classroom, case discussions are supplemented with lectures, films, seminars, games, role-plays, industrial visits, guest lectures and group exercises.

The Institute also offers a Preparatory Programme to help those selected candidates who may be weak in specific areas so as to equip them better for the rigours of the programme. The Preparatory Programme is for about three weeks before the start of the first year and covers topics in mathematics, computers and communication. During the main programme too, remedial classes are held and other help provided for those who may need support in specific courses.

INDUSTRY INTERFACE

The PGP-ABM programme brings business and policy makers from different arenas of agri-business into the classroom and allows ongoing contact among students, companies, NGOs, faculty and alumni. These knowledge-building sessions are opportunities for industry experts, alumni and also recruiters to engage students in focused discussions that reflect real life situations, simulations of future scenarios and specific career tracks. Industrial visits complement this process. Distinguished guests in the past have included CEOs, senior executives, and well known consultants and activists from various governmental, non-governmental and private sectors (e.g. UN, NABARD, ICICI, SEWA, Basix, and many others).

PLACEMENT PROSPECTS

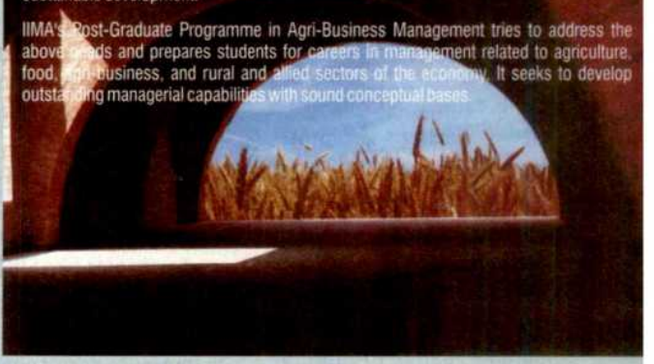
The career prospects of professional managers from IIMA's PGP-ABM are extremely bright and attractive. The placements reflect the increasing recognition and perceived relevance of the programme by the industry and include newer areas like commodity trading, agri-insurance and retail. Many alumni head top corporates or contribute at key positions in several agri-business conglomerates in India and abroad.

The programme attracts agri-service providers such as those providing export and import facilities, rural banking, financing of agri-projects, insurance and logistics and those working in retail, manufacturing, water management, R&D, and rural energy. Prominent recruiters for the programme in the past have included M/s Bayer Crop Science, DCM Shriram Consolidated, Godrej Agrovet, HEINZ India, ICF International, IFMR Trust, ITC Limited, John Deree, Mahindra and Mahindra Ltd., Price Water House Coopers, Rallis India, RPG Group – Harrisons malayalam, Technopak, The Loot India Pvt. Ltd., Feedback Ventures, Dudhsagar Dairy, AMUL, Britannia Industries, Nestle India, Reliance Retail, SEWA, FINO.

Over the years, the agricultural economy of India has moved beyond merely being a family activity. It has become more complex and encompasses many operational areas, fields of knowledge and organizations. New technologies, changing role of governments, globalization and intense competitive and economic pressures have added further challenges to the management of the food and agriculture sector.

Technical knowledge, while essential to overcome the challenges of the real world, is by itself, insufficient. To really make a difference on a large scale, it is important to combine sound technical knowledge with outstanding implementation abilities including sound knowledge of organizations, economics, finance, project management, and other areas. Only then it is possible to successfully transform agriculture and allied activities into sustainable development.

IIMA's Post-Graduate Programme in Agri-Business Management tries to address the above needs and prepares students for careers in management related to agriculture, food, agri-business, and rural and allied sectors of the economy. It seeks to develop outstanding managerial capabilities with sound conceptual bases.



ADMISSIONS

Graduates in any discipline with an interest in agriculture or allied sectors are eligible to apply.

Selection for PGP-ABM is done through a two-stage process. First, candidates have to appear for the Common Admission Test (CAT) that is typically held in November-December. The CAT has questions that evaluate the quantitative, language and data interpretation abilities of the candidate. The applicants are then short-listed and called for a group discussion and personal interview. The applicant's past academic record/achievements, understanding of agriculture and allied sectors, work experience and other relevant activities are also taken into consideration. Every year, the typical timeline for the admission process is as follows:

CAT Advertisement in National Newspapers	**End-August 2010**
CAT (Examination)	**October End & November 2010**
Group-Discussion & Personal Interviews	**February-March 2011**
Session Starts	**June 2011**

Exact details of eligibility, examination, where and how the CAT will be conducted will be given in CAT 2010 Website as well as on IIMA website.

IIMA offers enough scholarships and freeships to take care of those who are not economically well off. Bank loans on easy terms are also available under policies promoted by the GOI.

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website: http://www.iimahd.ernet.in/pgpabm

at Venture Infotek's card issuance division. "We were struggling to issue 100 cards a day. We needed to go from village to village and there can be no exact way of doing things," says Khaitan, who admits that the company had to use a lot more of on-ground support to make its efforts successful.

Khera jokes that, thanks to long power outages in villages, FINO has as much expertise in managing inverters and generators as its banking operations.

ALW is perhaps the most spread-out banking correspondent company in the country. With 10,300 outlets, it delivers services on behalf of SBI at some of the remotest locations in India—from the Andaman islands to Jammu and Kashmir to Naxal-infested Dantewada, Chhattisgarh. There have been instances when ALW employees carrying cash boxes were abducted. Still, growth is scorching: the company aims to triple its 5.7-million customer-base by the end of 2010-11 and expand to 30,000 locations.

And then, there is the question of margins. None of the bank correspondent companies is profitable. "We have a mandate to operate in Arunachal Pradesh where the population density is 13 people per sq. km. If that's the average, you can imagine that there are areas where there are less than six people," explains ALW Founder Anurag Gupta. "Offering services in such places can be costly."

The payments to the banking correspondent companies are typically modelled on a commission or percentage basis. Public sector banks pay about Rs 10 for every new account opened and a commission of about 0.5 per cent of the value for a cash in-cash out transaction. A fee of about Rs 40 is also paid per active customer on an annual basis. Companies like FINO and AWL, which provide the technology solutions, get paid a little extra. That's, perhaps, one of the reasons why most of these companies have got into disbursing government funds and entitlements for schemes like NREGS and RSBY.

"These schemes provide a steady cash flow in addition to the prospect of adding new customers. Typically, a commission of 1.5-1.75 per cent of the transaction value is given in the NREGS funds, varying from state to state and bank to bank," says an insider in the bank correspondent industry. FINO, for example, disburses NREGS payments worth about Rs 150 crore a month in states such as Andhra Pradesh, Karnataka, Madhya Pradesh, Rajasthan and Haryana. Eko is working on a pilot project for the Bihar government to disburse payments to Accredited Social Heath Activist (ASHA) workers employed under the Central government's National Rural Health Mission for antenatal and neonatal care. It will start with 500 workers, but the potential is huge: the state has about 800,000 ASHA workers. "That's how big these projects can get," says Sinha, Eko's CEO.

But the key to profits, most agree, lies in leveraging the same customer base to deliver multiple products and services. "The companies that will make profits eventually are the ones that will be able to scale up significantly and cross-sell a bouquet of products," says Khera of FINO. True to his word, his company added remittances as a product earlier this year to a suite already including deposits and insurance. ALW, too, is pushing a remittance service.

The last mile network may be getting ready to ring the till. ⊙

THE OPPORTUNITY

- Over 700 million do not have access to a bank account
- Over 32.5 million families below the poverty line (BPL) are to be provided health insurance under RSBY
- The Central government's outlay for the scheme is Rs 39,100 crore in 2009-10, a minuscule portion of this passes through private channels like FINO or AWL
- Just the opportunity for secure high-memory contactless cards for various financial inclusion drives is estimated to be in the region of Rs 400 crore in the next couple of years

THE PROBLEMS

- Cracking rural India is not easy. Companies like FINO and AWL say it's a logistical nightmare
- Banks are yet to get used to the business correspondent model. Till late 2009, banks were not allowed to charge customers
- Margins are wafer-thin and as a result, profits are a long way away. Not one of these players has broken even

THE RECENT FILLIP

- In November 2009, RBI permitted banks to charge customers "reasonable fees" for using banking correspondents (like FINO) under board-approved policies. That's likely to boost the margins of these companies and make the sector more viable
- RBI also allowed *kirana* stores, medical, and fair price shop owners, Public Call Office (PCO) operators to act as banking correspondents. That's likely to help players like ALW and FINO expand their networks

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Middleweight Champs

Multinationals are closing in on Big Pharma, but there are enough mid-size stars as well. BY E.KUMAR SHARMA

Downturn or upturn, India's pharmaceuticals market has become the second-fastest growing after China's, even though at $8 billion it is less than half the size by value of China's $20 billion. And it is expected to double in size in five years. From the spate of friendly takeovers (five at last count) by multinationals and strategic tie-ups (over half-a-dozen) in recent years, it is clear that the country has become the go-to place on the global pharmaceuticals map.

But it is not just a story about the big boys of Indian pharma—the likes of Ranbaxy and Dr Reddy's that have turnover upwards of Rs 4,600 crore. As the market matures, the industry has thrown up interesting models and growth stories among the 50-odd mid-size players, those with turnovers from Rs 500 crore to Rs 3,000 crore. Most of them have a strong domestic presence, and sometimes brands as well, and a foot in overseas markets.

Two of the six profiled here are among the top 20 players in the domestic formulations market, giving the local subsidiaries of multinationals a run for their money.

Analysts see the trend of mergers and acquisitions in the sector continuing. According to Centrum Equity Research, multinationals want to enter the fast-growing Indian market, gain access to the large capacities and product baskets approved by the United States Food and Drug Administration (US FDA), and use the low cost model here.

What is common among these mid-size stars is their readiness to get into new territories and areas just to grow. Aurobindo Pharma, which gets most of its revenues from exports, now aims to expand in the domestic market. Indoco Remedies, which is strong at home, is doing deals with multinationals to grow abroad. Elder Pharma thrives on in-licensing strategy and its own branded portfolio of products.

MANKIND PHARMA

The Kind That Consumers Love

He has just upgraded from a Toyota Innova to an Audi Q7, a German SUV priced at over Rs 50 lakh. You could call it a coincidence: R.C. Juneja, Chairman and CEO, had set up Mankind Pharma 15 years ago with seed capital of Rs 50 lakh to make medicines available at rock-bottom prices.

As a medical representative before he set up Mankind, Juneja had seen pharma majors selling many antibiotics, antihistamines and cardiovascular drugs at high prices, though their prices had crashed in other countries.

Mankind's first target, in 1996, was ofloxacin, a typhoid medication being sold by one rival at Rs 35 a tablet. Mankind's entry price forced its price down to Rs 8, after which Mankind has lowered its own price to Rs 3.

FOCUS: **Domestic market, with over 150 prescription drugs and around six OTC products**

REVENUES IN 2009-10: **Rs 1,250 crore**

REVENUES BY 2012-13: **Rs 2,400 crore**

STRENGTHS: **Huge field force, low cost structure**

CHALLENGES: **Competition could cut prices**

PROMOTER FAMILY STAKE: **89%**

Price champion: R.C. Juneja, Chairman and CEO

VIVAN MEHRA/www.indiatodayimages.com

"I now want to sell anti-cancer drugs at half the market price. We should be able to do so in 3-4 months," says Juneja.

Mankind's critics say its high-growth-low-profit model is not sustainable. Juneja disagrees: "We do make profits but not super profits... we also manage our expenses." So, Mankind does not have any layer of vice presidents. The core management is just him, brother Rajeev Juneja and nephew Sheetal Arora. Decisions on issues like pricing are taken in 48 hours.

One of Mankind's strengths is its reach among doctors. "We have 5,500 medical representatives today," says Juneja.

Sanjiv Kaul, Managing Director, ChrysCapital Investment Advisors, a private equity investor, says Mankind's model is the envy of every pharma firm. It has been growing at three times the industry average, he notes.

AUROBINDO PHARMA

Global Aura, Domestic Dreams

The largest among this selection by turnover, Aurobindo Pharma also stands out by virtue of its focus on formulations that it exports to big markets and its negligible presence in the domestic market. Last year, it did a dossier licensing and supply deal with Pfizer, in which the multinational gets the rights to sell over 100 Aurobindo products in 110 countries from the United States to Europe, Australia, Canada and New Zealand.

To get into contract research and manufacturing services or CRAMS, it set up a separate division in February. And it is no longer going to leave its home turf unattended. "We are planning to acquire a small formulations company with established brands," says Chairman P.V. Ramaprasad Reddy.

A relatively late entrant into the regulated market for generics, Aurobindo's boost came in 2005 when the US FDA cleared two of its formulations. Since then, the FDA has cleared 113 of its 170 new drug applications. Aurobindo makes the active pharmaceutical ingredient or bulk drug for almost all these products.

FOCUS: **Almost entirely on exports. Multinational links open regulated markets for it**

REVENUES IN 2009-10: **Rs 3,453 crore**

REVENUES BY 2012-13: **Rs 9,200 crore**

STRENGTHS: **An integrated player with low cost bases**

CHALLENGES: **Will need to streamline systems to manage growth**

PROMOTER FAMILY STAKE: **56.9%**

UMESH GOSWAMI

Global ambition: Aditi Kare Panandikar, Director

INDOCO REMEDIES

Strong at Home, Expanding Abroad

FOCUS: **Domestic formulations account for 67% of its turnover; exports 30%**

REVENUES IN 2009-10: **Rs 402 crore**

REVENUES BY 2012-13: **Rs 1,000 crore**

STRENGTHS: **Has 13 brands that fetch 60% of domestic sales**

CHALLENGES: **Changes in the business environment in Europe and the United States**

PROMOTER FAMILY STAKE: **61%**

Mumbai-based Indoco is picking up speed, having grown at 20 per cent quarter on quarter for the past two quarters. It has seven strong brands that fetch revenues of over Rs 10 crore each; its top 13 brands account for 60 per cent of its domestic sales. Its main areas are anti-infective, respiratory and anti-allergic, dental and gastrointestinal medications. Anti-infectives are one of the fastest-growing segments in India and fetch Indoco 30 per cent of its domestic sales.

"In the Indian market, for the last two quarters, we have shown growth in excess of 20 per cent, way above the industry rate," says Aditi Kare Panandikar, Director (Business Development), and daughter of founder Suresh G. Kare, Indoco's Chairman and Managing Director. Panandikar says Indoco's business model is "de-risked" and robust because of its focus on branded generics in India and contract research and manufacture internationally. Apart from eight manufacturing sites, it has a research and development centre and a vast field force.

This year, Indoco launched a division called Eterna to push therapies for chronic diseases and another, Xtend, for rural markets, which are growing faster than the industry.

Indoco recently entered into a long-term agreement with multinational Watson Pharmaceuticals to manufacture generic sterile products for the American market, and with Aspen Pharmacare of South Africa for supply of ophthalmic products to emerging markets.

One figure sums up its growth ambition: Its outlay for capital expenditure on new plants and expansion this year is Rs 100 crore.

IPCA LABS

After Malaria, the Growth Fever

Till just five years ago, one anti-malaria drug accounted for 25 per cent of Ipca Laboratories' domestic formulations business. Today, sales of Ipca's Lariago are more or less the same (Rs 45 crore, against Rs 50 crore then), but it accounts for less than eight per cent of domestic formulations sales of Rs 600 crore.

Ipca's secret: While it also had antibiotics and gastrointestinal drugs, it began making painkillers and branded drugs for rheumatoid arthritis, cardiovascular diseases and diabetes. It has entered new segments like the central nervous system and dermatology, and expanded in coughs and colds. Next: Urology and nephrology.

"The growth has been around 20 per cent a year over the last five years, against the industry's 12-15 per cent," says A.K. Jain, ED.

Now, Ipca wants to become a supplier for multinationals by building a strong contract research and manufacturing services (CRAMS) business.

For Premchand Godha, MD, the key challenge is to retain good people. So far, Ipca has been able to keep attrition low.

FOCUS: **Sales split equally between domestic and foreign markets**

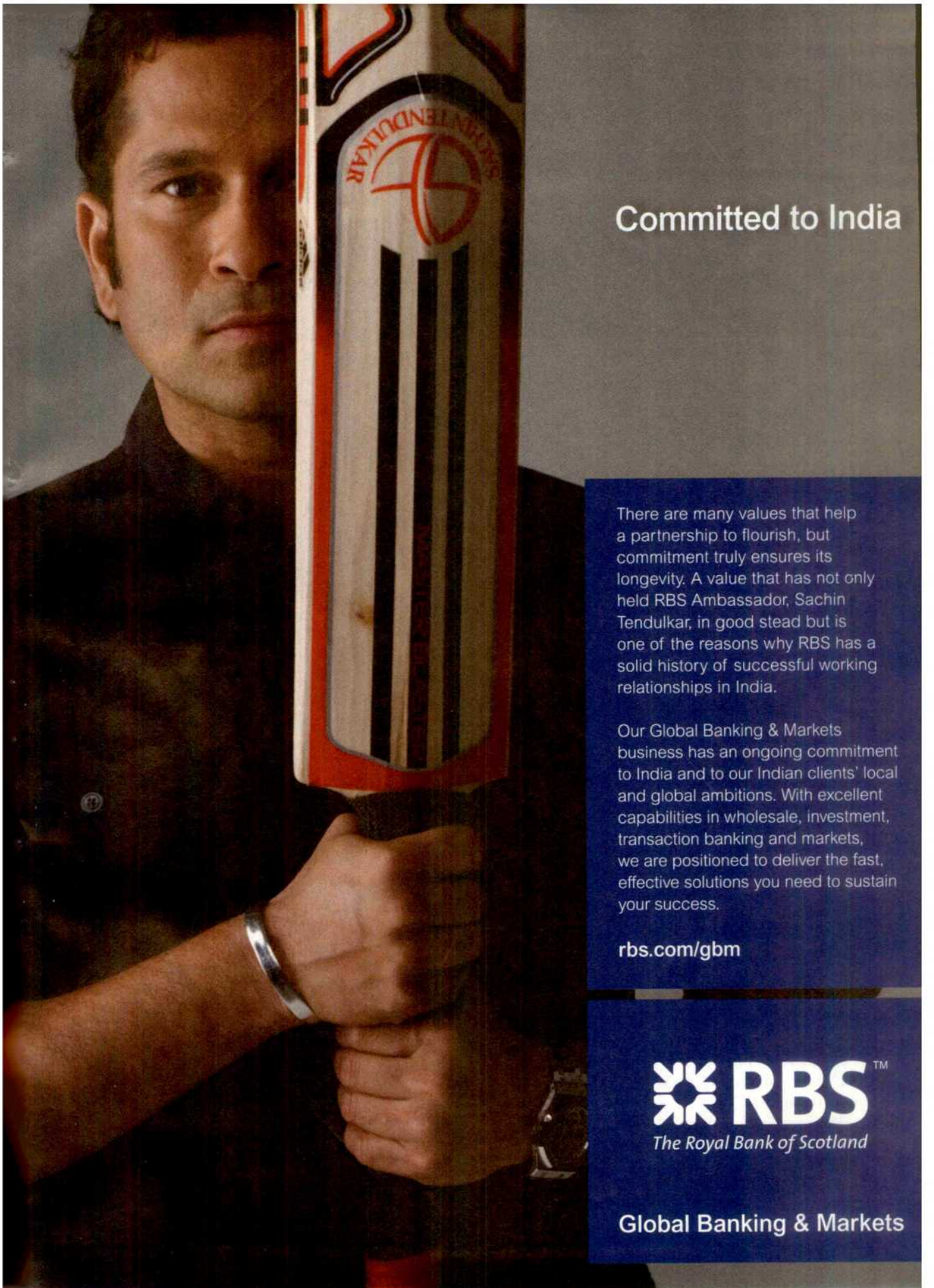
REVENUES IN 2009-10: **Rs 1,550 crore**

REVENUES BY 2012-13: **Rs 2,800 crore**

STRENGTHS: **Has diversified into lifestyle disease drugs in a big way**

CHALLENGES: **Retaining people and making it big in CRAMS business**

PROMOTER FAMILY STAKE: **37%**



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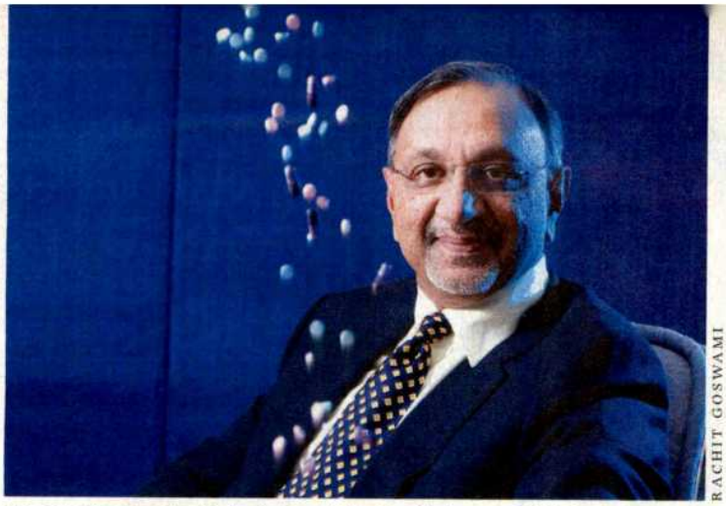

RACHIT GOSWAMI

Hungry for growth: Prakash Amrut Mody, Chairman and MD

UNICHEM LABS

Growth Pangs—Even at 66

FOCUS: **Domestic formulations make up 72% of business**

REVENUES IN 2009-10: **Rs 750 crore**

REVENUES BY 2012-13: **Rs 1,140 crore**

STRENGTHS: **Its top seven brands fetch half its domestic formulation revenues**

CHALLENGES: **Pricing pressure in the emerging markets**

PROMOTER FAMILY STAKE: **48.43%**

Unichem Laboratories, the oldest in the lot, has five brands that feature among India's top 300, and one, Losar, is the No. 1 in anti-hypertensive brands. Over the past five years, it has invested Rs 270 crore in new manufacturing facilities — some of which will feed a clutch of overseas subsidiaries that it is setting up.

"Our top seven brands account for half our domestic formulation revenues," says Prakash Amrut Mody, Chairman and Managing Director. Domestic formulations account for 72 per cent of its total revenues, bulk drugs three per cent and exports the rest. The domestic market is very important for this 66-year-old company.

Unichem's focus has been on therapies for chronic diseases, which fetch over half its domestic formulation revenues. Mody, a doctorate in Organic Medicinal Chemistry from Bombay University and a graduate alumnus of Harvard Business School, says Unichem is now expanding its reach among the doctors with its growing field force (now 1,800-strong).

Unichem has relationships with several multinationals and it plans to deepen them over the next few years. Says Mody: "We have subsidiaries in developed markets and product registrations in emerging and developing markets, which enable our products to be available in more than 50 countries."

Unichem works with global generic companies and innovator companies in co-promotion, manufacturing and research. "These relationships have been strengthened with dosage-form product development of NCEs," says Mody, referring to new chemical entities. Over the next three years, it will invest Rs 150 crore in new manufacturing plants even as it "sweats" the existing ones. ⊙

ELDER PHARMA

From Oyster Shells to Licensed Profits

Elder Pharmaceuticals has become almost synonymous with women's health care ever since it decided to make a calcium supplement from a natural source, oyster shells. The result was Shelcal, which fetches it over Rs 100 crore in annual revenues.

Elder also has a strong presence in pain management, nutraceuticals and anti-infectives and is trying to increase the dominant market share of products like Shelcal, Chymoral and Eldervit with extensions. In 2010-11, it plans to launch 14 products, mainly in women's health care, anti-infectives and cardiovascular segments. It has about 36 products in the pipeline, which will feed its five key business divisions.

Jagdish Saxena, Chairman, says Elder has adopted the in-licensing model, which minimises risks and costs of research and development. Elder has over 30 in-licensing agreements, banking on innovator companies for molecules.

Elder has also made some acquisitions outside India, picking up stakes in Bulgarian and British companies to help it enter the European market.

FOCUS: **Domestic formulations fetch almost 95% of revenues and exports the rest**

REVENUES IN 2009-10: **Rs 702 crore**

REVENUES BY 2012-13: **Rs 1,200 crore**

STRENGTHS: **Calcium supplement Shelcal, which fetches over Rs 100 crore in revenues**

CHALLENGES: **Building new brands**

PROMOTER FAMILY STAKE: **38.76%**

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A Passage to Chindia

After a successful outing in China, some of the world's biggest skincare brands are hoping for an encore in India. BY ANUMEHA CHATURVEDI

About five years ago, the high-end French skincare brand L'Occitane entered China's booming cosmetics market. A relatively late entrant into a market swarming with local players, L'Occitane, which specialises in natural products and essential oils, made up for lost time with some smart thinking. The cosmopolitan cities were saturated, so it zeroed in on the country's underpenetrated towns. The company started operations in Shanghai and Beijing, the nerve centres of China's economic might, but swiftly swept into smaller cities Qingdao and Wuhan.

Raising brand awareness was imperative for making inroads, so the company tied up with airlines and hotel chains like Shangri-La to give its products visibility. Then, to grow sales rapidly, L'Occitane rolled out products in new niche segments. Its Immortelle facecare and Cherry Blossom body range and the Shea Butter hand cream have become its big-selling products in China.

L'Occitane won't disclose its revenue figures there, but it has today a firm foothold in China. It boasts of 50 stores across 20 cities. It opened eight stores between March 2009 and February 2010 and has 15 stores in Hong Kong. And, here's a sure sign that its China strategy is working: It raised HK$5.5 billion (US$687 million) through a Hong Kong initial public offer in April — the first French company to do so.

L'Occitane's next stop is India. In many ways, it finds the market here as promising as China's and is hoping for an encore on Indian shores. It entered Indian distribution channels five years ago, but stepped up its operations only recently. In the last eight months, it has set up a 51:49 joint venture with Kolkata-based Beauty Concepts. The French company has three stores in Delhi and plans to open five more in Mumbai and Bangalore by March 2011 — and, yes, even beyond. "We're also looking at Tier-II cities like Ludhiana and Chandigarh," says L'Occitane's India General Manager Guillaume Geslin, who was closely involved with the brand's venture in China.

Why the Chinese Model Could Work in India...

EXPANDING ORGANISED retail trade and mall culture

RISING INCOMES with the burgeoning middle class population

LOW PENETRATION levels of skincare products

But There Are Hurdles...

MOST CHAINS don't have a distribution network

FAIRNESS PRODUCTS still dominate the market

A FRAGMENTED and competitive marketplace; only HUL is well entrenched

L'Occitane's Geslin: Gung-ho on Chindia

MONEY SHARMA/www.indiatodayimages.com

L'Occitane has plenty of company. Some of the world's biggest names in skincare are descending on India after hitting pay dirt in China. Take the example of Germany's Beiersdorf, owner of the iconic Nivea brand. Nivea estimates its annual China sales would touch 2.1 billion yuan (US$307 million) by the end of 2010, almost doubling in the last two years. Beiersdorf intends to make China and India the prime focus for its sales growth. Ditto for L'Oréal, the world's largest cosmetics company. Its iconic British skincare brand, The Body Shop, which it acquired in 2006, is already busy expanding its Indian footprint.

So, what explains this "Chindia" approach by the skincare giants? In large measure, it's the belief that the China story can be repeated in India. The surge in disposable incomes there with a teeming middle class has ensured a booming market for personal care products and services over the last decade. China's skincare market is now estimated to be about $6 billion (Rs 27,600 crore), making it the third-largest after the United States and Japan. In contrast, the Indian skincare market is at Rs 3,000 crore or a little over a tenth of China's. But India's economic resurgence of the last few years and favourable demographics could ensure an exponential growth in the market. Already, the Indian skincare market is growing at 20-25 per cent every year and has trebled in the last five years. "The emerging middle classes in China and India are more aware of international brands and as such are strong catalysts for international brands," says Geslin.

India Make-up

Most brands want to establish their presence in India while it's still a fledgling market. L'Occitane is a new entrant. And L'Oréal and Nivea, which have had an Indian presence for a while, have much smaller operations here than in China. Nivea has just two per cent share in India compared to six per cent in China, while L'Oréal has about seven and 12 per cent, respectively. The domestic skincare market is dominated by big daddy Hindustan Unilever Ltd (HUL). Says Gaurang Kakkar, an FMCG analyst with Religare Capital Markets: "The growth rate is strong due to low penetration at all levels — premium, middle and lower."

This has meant that most brands plough their own furrow. Nivea India, for instance, focused on men's fairness creams market and today has about 15 per cent of the emerging segment with its Nivea for Men range. The brand positioning is consistent. Says Soma Ghosh, Marketing Director, Nivea India: "We are a mass premium brand in India. This means that our price points are higher than those of our direct competitors."

L'Oréal is following a more diversified game plan and wants a

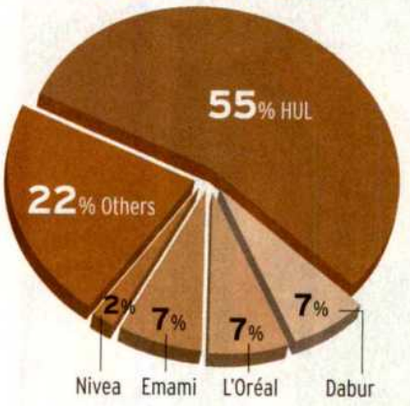
dominant presence across segments. Garnier competes in the mass market category, while L'Oréal Paris and Vichy fall in the mass premium segment. Lancôme, with its three boutiques and eight counters, occupies the super premium segment. Lancôme's Secret De Vie, its most expensive skincare product, a serum priced at Rs 12,500 for a 50 ml pack, enjoys a fiercely loyal customer base, insists Dinesh Dayal, COO, L'Oréal India and Director of its luxury products division.

It helps that the Indian skincare market is witnessing a slow and steady change. "Like China, high disposable incomes and the emergence of the mall culture have raised awareness and made the market very dynamic," says Dayal. Products making inroads into the market range from anti-wrinkle creams to spot reduction serums, addressing very specific needs. Facial cleansers and face wash are other emerging segments. And, brands have also realised that the Indian market, like China, has its unique requirements. A study by Nivea showed that oil and hyper pigmentation remain the two main skin needs for men in India. Its product Nivea for Men Whitening Oil Control intends to serve this market. L'Oréal, too, has set up a local research and development cell in India, and its Garnier men's range was created specifically for India.

Fair and Local

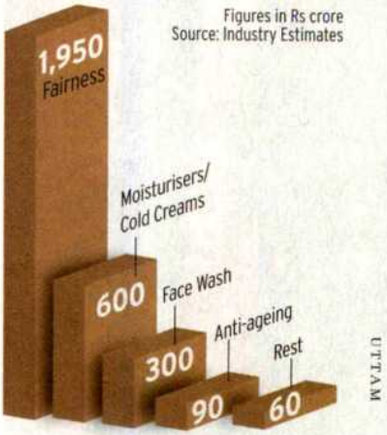
And, yes, L'Occitane is not the only global player to look beyond the metros. Wiser from their China outing, both Nivea and L'Oréal have similar plans. Nivea is gunning for the top 35 cities in India to grow and consolidate its business. To demonstrate its commitment to the Indian market, Beiersdorf set up its wholly-owned subsidiary, Nivea India, in 2006. The unit began with marketing and other support functions and took over India distribution by 2008.

THE BIG PLAYERS



Source: Religare Capital Markets

SLICING UP THE MARKET



UTTAM

ending an alliance with Mumbai-headquatered JL Morison (India). According to Ghosh, Beiersdorf rated India as one of its top priorities along with Brazil, Russia and China, other members of the so-called BRIC group and "it was logical to take over the complete reins of the business". L'Oréal's The Body Shop is also fanning out into the interiors. "We have 35 stores across 16 cities in the country. Over the next three years, we plan to expand to more than 150 stores," says Jonathan Price, Managing Director, Asia Pacific, The Body Shop. The brand is already present in Indore, Ludhiana and Jaipur, and will be entering Jalandhar, Kanpur and Mangalore.

L'Oréal, Nivea and L'Occitane are backing their initiatives with clearly laid out marketing and sales initiatives. "We plan to expand our presence through high street malls, counters in departmental stores and duty-free shops at airports, and airlines and hotel chains like Shangri-La and Four Seasons — pretty much like in China," says Geslin. Nivea and L'Oréal are turning to the two enduring religions in India — cricket and Bollywood — to whip up sales: Nivea is banking on its association with the Indian Premier League team Chennai Super Kings, while L'Oréal has Bollywood stars John Abraham and Aishwarya Rai hard-selling their products.

Crowd Ahead

HUL is gearing up to take on the fresh competition with a focus on market development and expansion into new segments. It has entered the male grooming segment with Vaseline Menz and has expanded its face cleansing portfolio with variants of Dove, Ponds, Pears and Lakme. Indian players, too, are sitting up and taking note. Dabur, for instance, is expanding its skincare portfolio with its premium Ayurvedic Uveda range. Piramal Healthcare recently launched a medicinal skincare range, Avene, in association with French pharmaceutical company Pierre Fabre. "We're targeting high-end customers with more disposable incomes," says Pierre Benham, Head of India Operations at Pierre Fabre.

Upmarket Indian consumers are not complaining. Consider Amritsar-based Manita Bajaj, CEO, I'm Happy, an organisation conducting meditation-based workshops and retreats. A Body Shop body butter fan, she is happy that the brand has finally hit her city. "Now, I don't need to approach my cousins and relatives for their products," she says. Just what the skincare companies want to hear. ⊙

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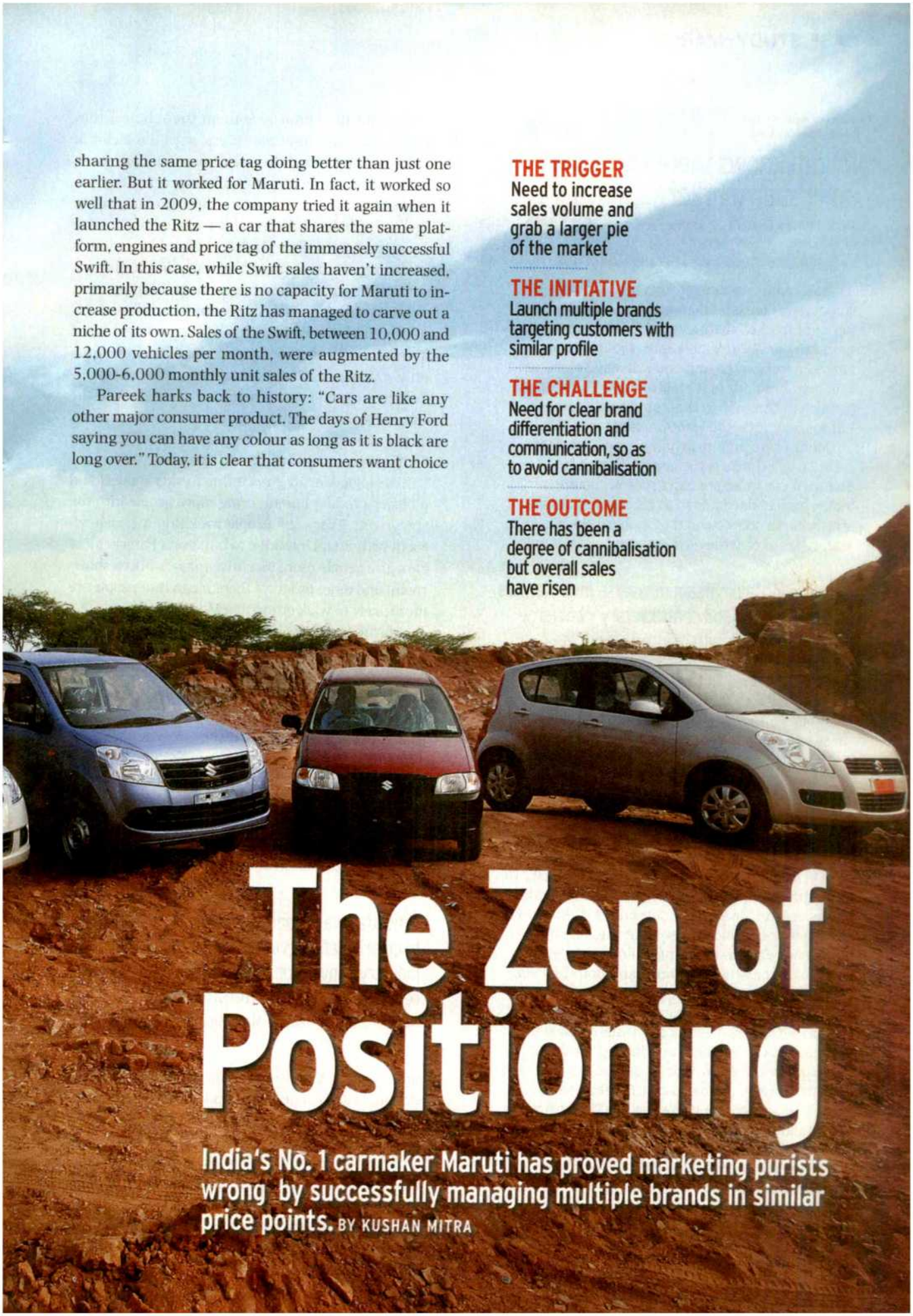
In December 2006, on a golf course on the outskirts of New Delhi, the Zen Estilo was launched by Maruti Suzuki India after a fashion show by designer Tarun Tahiliani. The Estilo, as it is now known, was launched ostensibly to replace the ageing Zen whose sales had begun to fall sharply. But Maruti priced the Estilo within a few thousand rupees, at every specification level, of the WagonR. The two cars, then, like now, have the same engine and, in terms of other specifications, are fairly similar, though the WagonR is slightly larger.

At the time, Maruti's Managing Director Jagdish Khattar faced queries on how the company would manage two similar products. Several journalists and industry analysts concluded that the newer Estilo would cannibalise sales of the successful WagonR, which was then the second-highest selling model in the Maruti stable, moving over 8,000 units a month. Khattar pooh-poohed the doubters and argued that both the Estilo and WagonR would succeed because they would both bring in buyers into the showroom. Mayank Pareek, Maruti's Head of Marketing and Sales, today confirms that the strategy has worked for the country's larget carmaker. "Once Estilo sales stabilised, they averaged around 5,000 units a month. But WagonR sales, far from being impacted, went up to 10,000 units a month from 8,000 units earlier. So, in essence, we almost doubled overall sales from when Maruti Suzuki had only the WagonR."

It almost sounds counter-intuitive: Two products



The Zen of Positioning

India's No. 1 carmaker Maruti has proved marketing purists wrong by successfully managing multiple brands in similar price points. BY KUSHAN MITRA

sharing the same price tag doing better than just one earlier. But it worked for Maruti. In fact, it worked so well that in 2009, the company tried it again when it launched the Ritz — a car that shares the same platform, engines and price tag of the immensely successful Swift. In this case, while Swift sales haven't increased, primarily because there is no capacity for Maruti to increase production, the Ritz has managed to carve out a niche of its own. Sales of the Swift, between 10,000 and 12,000 vehicles per month, were augmented by the 5,000-6,000 monthly unit sales of the Ritz.

Pareek harks back to history: "Cars are like any other major consumer product. The days of Henry Ford saying you can have any colour as long as it is black are long over." Today, it is clear that consumers want choice

THE TRIGGER
Need to increase sales volume and grab a larger pie of the market

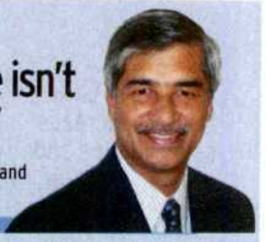
THE INITIATIVE
Launch multiple brands targeting customers with similar profile

THE CHALLENGE
Need for clear brand differentiation and communication, so as to avoid cannibalisation

THE OUTCOME
There has been a degree of cannibalisation but overall sales have risen

COMMENTARY-1

Maruti knows there isn't an "Indian market"



JACOB KURIAN, former COO, Tanishq, and Partner, New Silk Route Advisors

In how many markets around the world has a company consistently held on to a nearly 50 per cent market share even after the arrival of global majors? Extremely rare, though India has two home-grown champions who have managed this extraordinary feat – Maruti and Titan. There is much in common in their strategic approach, but for now, let's see what makes Maruti tick.

Maruti gets priority in new product development because India is the largest market for Suzuki. It can tailor products sharply focused on Indian market needs. Even as its competitors are still trying to understand the "Indian market", Maruti has peeled the next layer and understands

India is a loose amalgam of diverse mini markets – often complex and contradictory – but large enough to target with tailored products.

that there isn't an "Indian market". It has figured out that India is a loose amalgam of diverse mini markets – often complex and contradictory – but large enough to target with tailored products. It is this clarity, of each product targeting a different market segment despite being at the same price point, which has driven Maruti's product strategy. Besides, Maruti has ensured that the post-purchase experience remains trouble-free by offering easy service and affordable parts.

On the branding side, Maruti has continued to strengthen the mother brand. At the same time, it has created an array of sub-brands that allows it to psychographically segment the Indian consumer. For the market leader, maintaining its dominant share is very important, both to keep the competition out and costs low.

As long as Maruti captures new customers or retains old ones, it means incremental revenue and margin. But can this logic be extended infinitely? Obviously not. There is a cost to product development, inventory, spares and demo cars. But the waiting lists show that Maruti is running a lean and demand-pull based supply chain, avoiding the problems of forecasting accurately for a wide product assortment.

So let's salute Maruti as it continues to defy conventional logic and the doomsayers who have been predicting a precipitous collapse in its market share.

and if Maruti cannot give them that choice, they will go to other manufacturers, says the Head of Sales and Marketing. In case of premium products, such as the Apple iPhone, or luxury cars, companies can survive with just a single product, but in the larger market there is little choice but to give your customers their choice. "Yes, adding models leads to manufacturing complexity but it also ensures that we run our factories at 110 per cent capacity rather than 75 per cent," Pareek adds.

The additional sales that Maruti has garnered from the Estilo and the Ritz together is over one lakh units a year, sales that most other automotive manufacturers would give an arm and a leg for. And the sales have not come at the cost of the existing models in the same price bracket — the WagonR and the Swift, respectively. So, how did they do it?

The logic Maruti gives is that fresher models and a bigger product line-up bring more people into the showroom. "Very few people walk into a car showroom without an intention to buy," says Pareek. More cars give people more incentive to walk into a showroom, and more products there mean that people are more likely to walk out with a Maruti product.

Maruti conducts a "Brand Track" on every customer who buys its cars in 16 cities, and every Monday, Pareek sits with his team and discusses the results. The survey helps them position their vehicles effectively. "Even though the cars might be in the same price and size segment they may not be in the same mind space," argues Pareek. The cars are clearly distinguished, targeting different types of consumers in every aspect from product design to the advertising message. The Swift and the Ritz might cost the same and share the same engines, but according to Pareek, the Swift is aimed at younger,

"The idea we try and follow in our marketing is to clearly define every product and not follow industry convention. We create segments or reinforce segments in the process"
Mayank Pareek, Head of Marketing and Sales, Maruti

single buyers, a message reinforced by its advertising slogan "You're The Fuel" and advertising, which highlights the car's performance. The Ritz, on the other hand, has the slogan "Why Make Choices" and is aimed, says Pareek, at the rational, younger family buyer, who does not want scintillating performance but values economy and space.

"The idea we try and follow in our marketing is to

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clearly define every product and not follow industry convention. We could create segments or reinforce segments in the process," says Pareek. Of course, not everything goes to a "marketing plan" and there are regional differences. In Kolkata, and in the rest of eastern India, the Estilo outsells the WagonR, for instance. And Pareek jokes that managing models is a lot easier than managing colours. "Not everybody buys silver."

The costs of launching a new model are still quite significant. New metal dies and tools have to be made, which coupled with advertising costs involve a capital expenditure of over Rs 500 crore just to launch a vehicle. However, in the case of both the Estilo and the Ritz, Maruti managed to save costs by keeping some components the same, especially engines. However, Pareek mentions that with his competitors launching new products — in 2010 the Ford Figo, Chevrolet Beat and VW Polo — all targeting the same price bracket as the Swift and the Ritz, Maruti had no choice. The costs of not launching a car could be higher than the costs of a slow-seller, because, as Pareek argues, a new car still brings people into the showroom. "There are people who did not think they liked the WagonR, came into the showroom because of the Estilo and left with a WagonR. Some may argue that is cannibalisation, and it well may be, but it increases my sales figures and keeps a sale out of our competitor's books."

More cars give people more incentive to walk into a showroom, and more products there mean that people are more likely to walk out with a Maruti product.

No other Indian automotive manufacturer has such a strategy. While several two-wheeler makers offer similar models within a narrow price-range, Hero Honda in particular, the closest an automaker comes is General Motors with the Chevrolet Beat and the Aveo U-VA, even though the cars are in slightly different price-points. Unlike Maruti, and its two main rivals Hyundai and Tata Motors, most other carmakers are barely able to use their production plants to capacity. However, Pareek believes that as India's market grows and the "common platform" philosophy becomes more popular among automakers, the costs of launching a similar model will come down. And the opportunity lost by not launching one will increase.⊙

Case studies on ITC's e-Choupal, Ashok Leyland, MRTS Chennai and Ponny Sugars are available on www.businesstoday.in

COMMENTARY-2

Product freshness is the key

DILIP CHENOY, former Director General, Society of Indian Automobile Manufacturers, and CEO & MD, National Skill Development Corporation

The challenge in the marketplace is to bring customers to the showrooms. Bringing out and positioning new products that offer choice to consumers hold the key. Positioning and price points are also important. A major plus of this strategy is the availability and positioning of products in the segment and in the minds of customers as distinct and separate from what is available in the market or within the Maruti stable.

While the numbers do not show the extent of cannibalisation, the true impact of the multiplicity of products in the same price and feature band cannot be accurately determined. The mere fact that demand outstrips supply is not because demand was high but because of production constraints. The positioning of products and sub-dividing the categories worked in Maruti's case but the impact has been varied in different regions of the country.

So one could argue that given the current situation, perhaps, cannibalisation has been avoided. But this may be only to a certain extent and the freshness of the product as well as its uniqueness that drive sales need to be maintained. That would be key to the future. The challenge for Maruti would be to maintain or increase existing market share. If other companies can do around 50 per cent in the two-wheeler category in many markets across the world, Maruti could do it in India.

A significant gap in the effort to retain the customer within the Maruti stable is the absence of options at the higher end of the market.

If the main aim of Maruti is to increase sales and retain market share, in addition to launching new products, it should also look at increasing product development out of India. Aspirations are changing and products and features that will be in demand in the future are going to be significantly different from what customers have been satisfied with till now. A lot more value addition and engineering would have to be market (India) driven. A significant gap in the effort to retain the customer within the Maruti stable is the absence of options at the higher end of the market where they do not have anything in India beyond the Swift DZire. As the market grows at both the bottom and the top end, unless products are developed to address those segments, Maruti might get caught in the middle.

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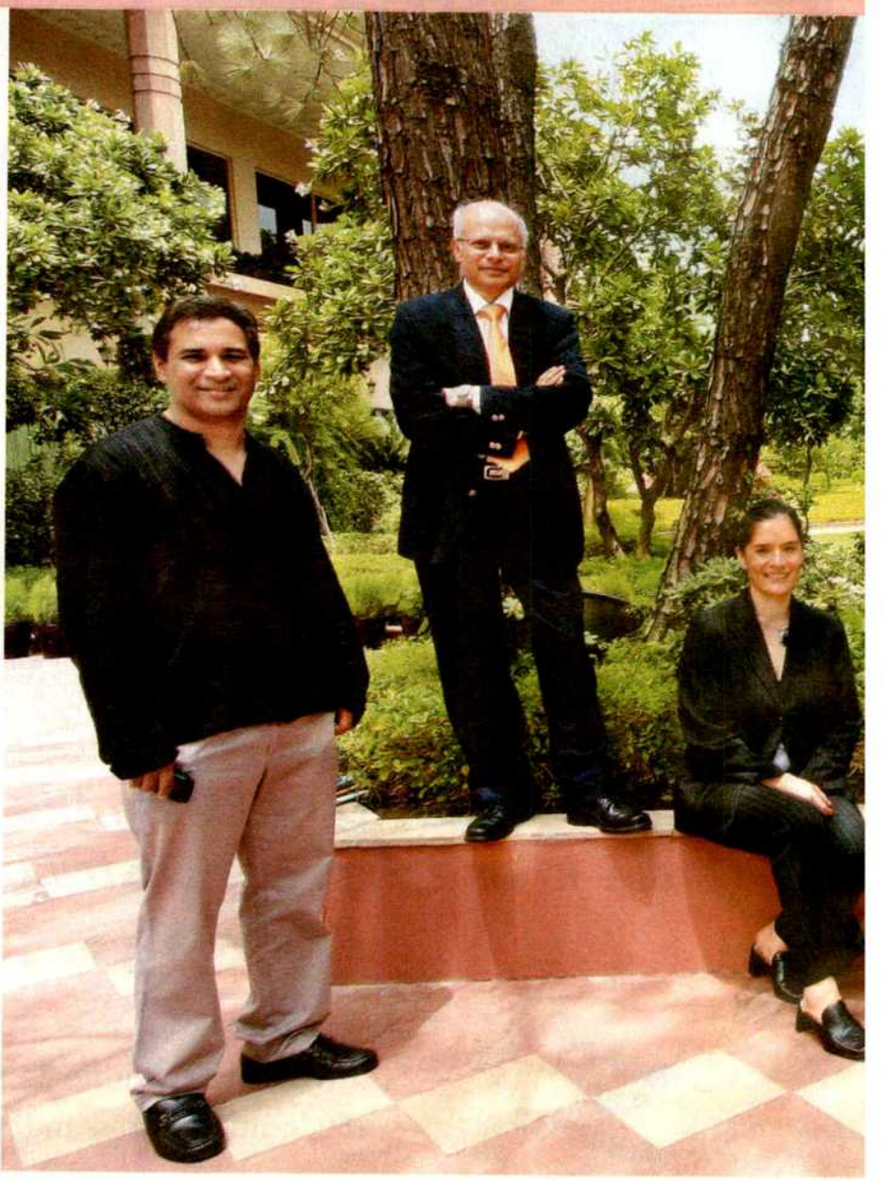
'Microfinance Players Must

The sector's rapid growth has not meant that the financially excluded are better off.



For the past three years, India's microfinance sector has been growing at 50-70 per cent annually in terms of loans outstanding. Some players are growing at over 100 per cent a year. For the 183 members of Sa-Dhan, the largest network of microfinance institutions or MFIs, loans outstanding have grown from Rs 3,456 crore in 2007 to Rs 11,734 crore in 2009. But this strong growth has also sparked worries. Has access to finance increased? Are enterprising borrowers getting into too much debt? To take stock, **BUSINESS TODAY** *and* **ACCION INTERNATIONAL** *organised a roundtable on the theme:* Microfinance 2.0: Opportunities and risks of aggressive growth. *The experts invited were* **ROBERT A. ANNIBALE**, *Global Director of Citi Microfinance and Community Development;* **VINEET RAI**, *CEO of social venture capital fund Aavishkaar;* **ACHLA SAVYASAACHI**, *Vice President of Sa-Dhan;* **MONICA BRAND**, *Principal Director of Frontier Investments at Accion;* **ROYSTON BRAGANZA**, *CEO of Grameen Capital India, and* **SANJAY SINHA**, *MD of Micro-Credit Ratings International Ltd (M-CRIL). The consensus: Expect a correction in the next three years, the current growth rates are not sustainable. Edited excerpts from the round table, which was moderated by* **E. KUMAR SHARMA**:

BT: Around the year 2000, the microfinance sector disbursed just around Rs 100 crore a year. Today, we talk of Rs 1,000 crore a month. The sector has come a long way.... If we could begin with some insight into this growth story and the milestones and tipping points. Bob?

ROBERT A. ANNIBALE: The growth in this sector has exceeded our expectations. It has been faster in certain geographies and in certain states than in others but the infrastructure to support it has now got to keep up or catch up.

Innov', Recall Social Goals'

Microfinance mavens: (L to R) Vineet Rai, Sanjay Sinha, Monica Brand, Achla Savyasaachi, Robert A. Annibale and Royston Braganza

PHOTOGRAPHS BY SHEKHAR GHOSH/WWW.INDIATODAYIMAGES.COM

There are, of course, big expectations such as the need for credit bureaus to have information on individual borrowers, continuous financial education and having such initiatives included in the programmes of the institutions, and even the regulatory context.

VINEET RAI: One tipping point was in 2004-05 when the partnership model by ICICI Bank showed that scale can be achieved in microfinance. (ICICI Bank would forge an alliance with an MFI, which would identify, train and promote the clients and ICICI Bank would finance the clients directly.) This made the sector interesting — at least for the debt providers at that time.

The second tipping point was Vikram Akula (of SKS Microfinance) standing up and saying I can raise capital and actually scale up.... Basically what he showed was that you can scale up rapidly and become fairly large.

ACHLA SAVYASAACHI: The growth can be traced back to two important statements from the government. One was the 2005 budget speech of (then finance minister) P. Chidambaram and the second was the credit policy statement from the RBI (the Reserve Bank of India). For the first time ever, we heard that there was a gap in reaching out to people. We have always heard from the RBI about the number of bank branches opened and the increase in reach, but here was the first time that it said there was financial exclusion...for the first time, it said there are institutions called MFIs which have a role to play....After that, we were beseiged by investors across the globe who wanted to know whether the government had come out looking for an alternative model. Chidambaram's speech was crucial in talking about 'no caps on the interest rates' in the MFI sector.

MONICA BRAND: One of the reasons for the growth is the fact that it is a commercial model with no cap on interest rates and one with a social focus. Now, in the next phase of growth, the focus would have to be on scale and quality.

ROYSTON BRAGANZA: Though it has grown dramatically, I am still concerned about the growth not reaching areas where financial exclusion is higher and poverty density is higher. Growth has to be both in terms of geography and in terms of product mix.

SANJAY SINHA: ... I am reminded of the Mughal empire. I feel that the microfinance industry has been through the Akbar and Shah Jahan phase and we are well into the Aurangzeb phase — which means it is huge and it is formidable but it is also starting to

"In the next phase, the focus would have to be on scale and quality"

Monica Brand, Principal Director, Accion

"We have proved that the poor are bankable but we still have not mastered the how"

Achla Savyasaachi, VP, Sa-Dhan

"Expect to see more mi products... clients need more than just loans"

Robert A. Annibale, Citi Microfinance

crumble at the edges. What happens next... is a question we need to answer.

BT: Sanjay, you rate the social performance of MFIs. The growth was supposed to have led to creation of assets, helping people come out of misery. How have we fared?

SINHA: One of the biggest concerns has been the focus on growth rather than on building social values; on ensuring that the people get the products that they need and on building economies at the micro level.

BT: What would you say to that, Royston?

BRAGANZA: I want to focus my thoughts on transparency. While we have been able to reach people and contribute towards financial inclusion, we seem to lose the clients in the numbers. The interest rate number is pegged but what is the composition of that interest rate number? What are the service charges? The cohesiveness of the group or the effort in financial literacy, transparency in pricing — these need to be fixed.

BRAND: In the next phase, focus has to be on quality and on contributing to asset building, deploying technology to reduce cost of delivery and on allowing for more disposable incomes.

SAVYASAACHI: If, with growth, value is created at the bottom, then growth is not an issue. The edge that the microfinance sector always enjoyed has been its closeness to the clients and its understanding of their needs. The issue now is: How is it going to retain this important element? Do we need just a few players who are very large or do we need small but many players?

RAI: There are a few things you need to look at today. You need capital, which brings with it the issue of valuation and ownership and greed. We started with client acquisition as a model. Now the investor question is client stickiness, and differentiation has become the buzzword. Nobody wants to invest in another Grameen model and it is not because that model is wrong but it is that if you are going to be a single product MFI then the scope for value creation is almost insignificant.

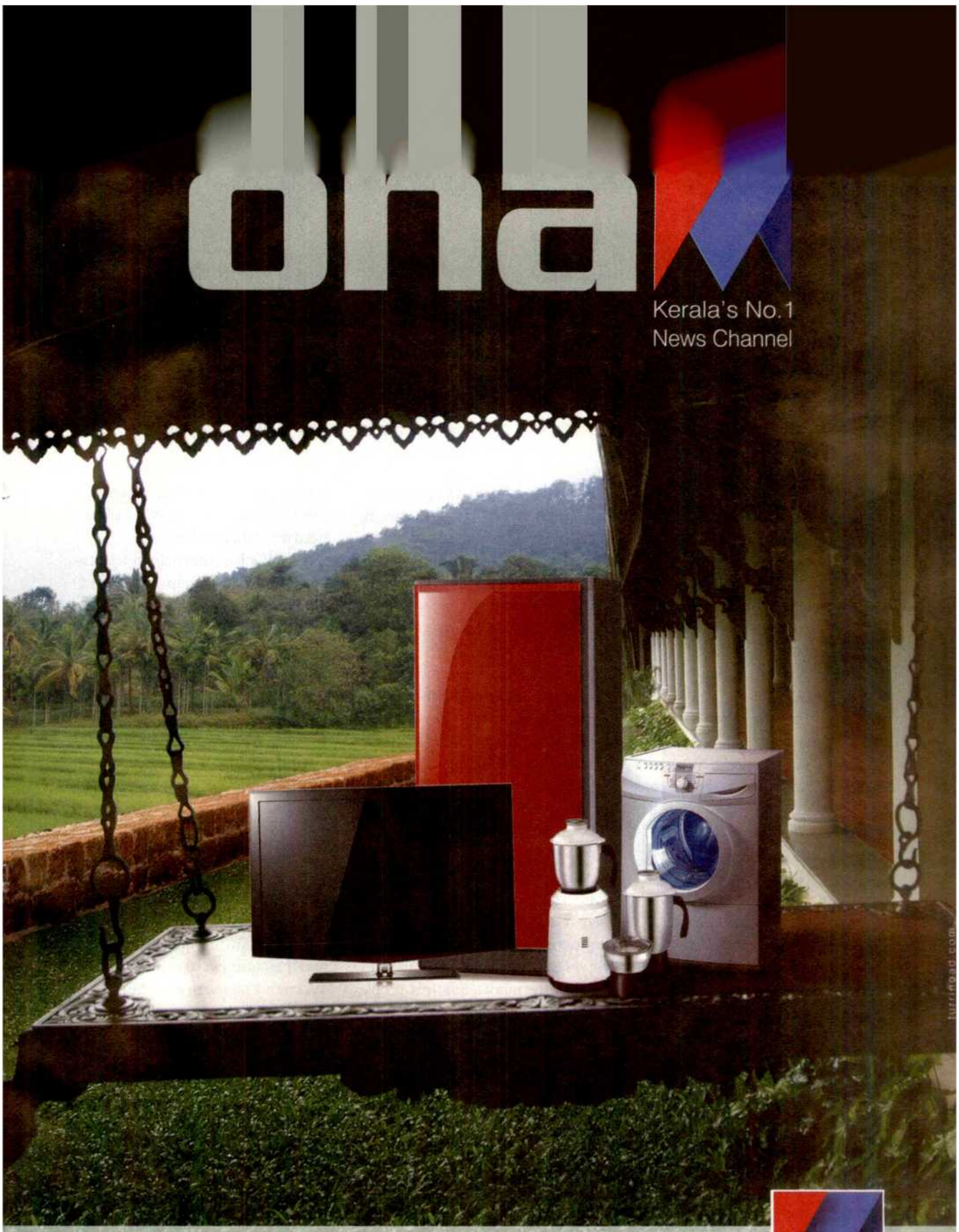
Client stickiness can be done in multiple ways. Basix does that by providing livelihood and services, Equitas does that by providing rice and oil. When push comes to shove, who will the client drop first? That becomes an important ingredient in our due diligence.

Second, if you visit the websites of the top 10 MFIs, everyone says we are removing poverty but during the discussions here, it seems to be all about valuation and capital. While there is nothing wrong with valuation and capital, it is just that post-2005 we have come to clearly articulate what we are. We have still not got away from the realities of how we started in 1995. We were supposed to be the do-gooders... even though we were charging interest rates of 40 per cent. Today, while we reach millions of people, we are perceived as fleecing the poor at rates of 28 per cent. The moment you start measuring in terms of billion-dollar valuations, you begin to look very bad. So I think we will lose the battle on the management of perception rather than the reality. It is not true that the interest rates have not fallen. They have.

BT: A new set of people has been entering the business. At one end, we have big corporate houses. At the other, there are players who, in some cases, are from families of traditional moneylenders. What is drawing them and what does their entry mean?

SAVYASAACHI: It can't be a closed door society. We are going to see new players. The challenge is how we are going to define the rules of the game now. There is a code of conduct but how many will be able to behave?

SINHA: The first word that comes to my mind is greed. There are the commercial houses (big companies) that have entered and there are the small new players. What all of them are seeing is that some of the large MFIs have made a lot of money and they don't see why they can't. The difficulty with this whole thing is that the images in my



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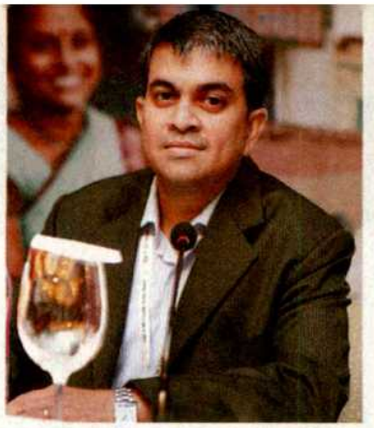
"Innovation takes time and the problem is that we want instant gratification"

Vineet Rai, CEO, Aavishkaar



"As the market matures, MFIs will realise that it is not all about valuation"

Royston Braganza, CEO, Grameen Capital India

"When you mention new players, the first word that comes to my mind is greed"

Sanjay Sinha, MD, M-CRIL

mind are of money being turned over in order to generate profit. It is not about social value being delivered at the bottom of the pyramid. We need to start thinking much more about that and I suspect that the value that is waiting to be realised is very substantial but the innovation needed to make it happen has not come so far.

BT: What kind of innovation?

SINHA: Experimenting with new products, combinations of livelihoods and microfinance, farm loans, commercially provided business development services. Basix is doing a little bit but not enough is happening.

RAI: That, or insurance products, working closely with somebody who is setting up Tier III hospital chains. All this takes time and the problem is we want instant gratification.

BRAGANZA: One could ask why donor money is not coming easily now. That is because they are seeing you use the money to fuel valuation somewhere down the line. So, how do we create socially-focussed MFIs or put in place a matrix that looks at milestones based on scale? Do we want the poor to benefit from economies of scale?

BT: So, how does the picture look five years from now?

VINEET RAI: Five years from now, the growth rate is going to be 20 per cent...If you grow faster than 20 per cent you are going to collapse sooner or later. There will be no VC raising money for microfinance then.... Once growth drops to 20 per cent, microfinance from an investors' perspective would be as valuable as any NBFC (non-banking finance company), which is not really very valuable.

BRAGANZA: My belief is we need many MFIs that are smaller, self-sustaining and scalable models. Leading on from Sanjay, I don't know how many people are starting MFIs to address social issues. I do not know how many of the poor are going to get out of poverty.

BRAND: Five years from now, there will be some collaboration and new players will be able to deliver more value.

BRAGANZA: Either the market will push them back to make them realise why they were set up or people themselves will realise that it is not all about valuation. As the market matures, people will start looking for client stickiness and the ecosystem that needs to be built. So, either you are pushed or you will go there yourself. I see financial inclusion growing.

ANNIBALE: Savings will play a role and the government will see that the microfinance industry's greatest strength is in its distribution capability and layering on other formal financial services like insurance. We could expect to see more of micro remittances, micro insurance and micro pensions. Product design is an evolution and clients have different needs and we need to have that flexibility. Clients need more than just loans.

SINHA: I think the microfinance industry is still in an immature phase and needs growing up. But that growing up has its pains and the right lessons are only going to be learnt when serious problems arise. I see problems coming within the next two or three years.

BT: What kind of problems?

SINHA: I can see one or two spectacular failures — MFIs going bankrupt because of a serious liquidity problem, serious collection problems and so on.

BT: What conditions today suggest that this may happen?

SINHA: One can see certain institutions that don't have adequate governance and management structures in place. When that happens, then the remaining MFIs and their promoters will start to think much more seriously about their business models.

SAVYASAACHI: We are also making a mistake in human resources, which is the interface between the institutions and the people. We are not investing at all in the last man on the ground. Investments are mainly happening at the top. In the next few years, we may now see a change in the sector's character. What we have proved so far is that the poor are bankable but we still have not mastered the how. ⊙

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THE NEXT Jackpot!

Sikkim is making sports betting legal in India for the first time but the odds of the multi-billion dollar business spreading to other states are slim. BY PUJA MEHRA

You could say it's been two Diwalis already for me this year and the real one is still a couple of months away," says Delhi resident Aditya. "Except that this is bigger dough." The allusion is to the card games in the weeks leading up to Diwali and the betting on the Indian Premier League (IPL) matches in March and the FIFA World Cup just gone by.

Though outlawed in India, betting on sports is easy. For instance, Aditya, who does not want his second name taken for obvious reasons, wagers online using his London-issued credit card that allows him to make international purchases (the Reserve Bank of India, or RBI disallows payments for all forms of betting through debit, credit or open-ended cash cards, including those enabled for foreign currency spending). Vying for business from betting buffs like Aditya, a 28-year-old stockbroker, are online bookmakers Ladbrokes, William Hill and bet365, among others — some of whom have even begun accepting payments in rupees flouting RBI rules in India.

Gambling-crazy Indians aren't deterred by the ban on gambling. At least $5 billion, or Rs 23,300 crore, flows annually to international betting sites from India, British bookmaker Ladbrokes estimates. At the latest edition of the IPL this March-April, bets touched $100 million. To be sure, some Indian states permit wagering on horse racing and a few card games, and there are casinos in Sikkim and offshore in Goa but betting on all other sports is illegal.

That could change before the end of the year. Sikkim, in May, became the first Indian state to legalise betting on sports. The north-eastern state issued about a dozen letters of intent for the business (there is no confirmation of this number from the state yet) and some of India's lottery kings won the licence: Playwin, Sugal & Damani, Future Gaming and Agilisys Managed Services. Rollouts will begin in two or three months, finally making betting on events and sports such as cricket, soccer, hockey, wrestling, and even golf and chess, legal.

"We have permitted betting on sport games, which involve prediction of the results of the sporting events and placing a bet on the out-

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SUGAL & DAMANI: Chennai-based lottery firm was wooed by the likes of Ladbrokes

NISHIKANT GAMRE/www.indiatodayimages.com

come, in part or in whole, of such sporting events," says a state government official, requesting anonymity and parting with little detail.

The permission in Sikkim is for "pool betting" through the electronic format. In pool betting, the money collected is netted of tax and commissions and the remaining paid out as prize money; it is different from fixed-odds betting where the final payout is determined beforehand. What that means is that wagers can be placed and pooled through mobile phones and the Internet, but the ban on betting shops and kiosks prevalent in most Indian states will remain.

The companies that are in line for five-year licences won't tell all but the most likely model for betting on sports is going to be this: A bettor buys pre-paid cash cards from distributors. The cards allow the bettor to place a certain number of bets through a mobile phone or Internet site. Winnings, if any, can be collected from distributors.

For now, though, there is plenty of fine print. Gambling being a state subject, sports betting by the new licencees will be possible only where the state governments specifically legalise betting and permit betting cards from Sikkim to be sold. "Even if the pre-paid cards are smuggled out, it will only be possible to collect the winnings in Sikkim as I can't pay in the states where betting is illegal," says Amit Goenka, CEO, Playwin, India's largest lottery company, which runs the biggest of state lotteries — Playwin Indian Lottery in Sikkim — with prizes going up to Rs 20 crore.

Most such restrictions, however, will remain on paper going by the experience of other states where lotteries are banned. In Delhi, for instance, it is commonplace to see *paan-beedi* (cigarettes and other tobacco products-peddling) kiosks selling lottery tickets. The winning amount, if any, is delivered through the same channel, often controlled by organised crime.

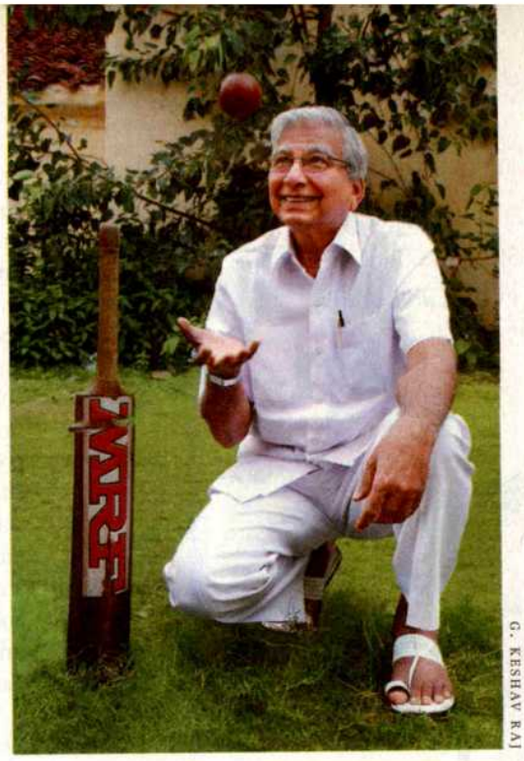
A couple of other states in the

North-East and Maharashtra could be open to the idea of allowing distribution of sports betting cards from Sikkim. "We are making a case with Maharashtra and one round of presentations is already through," says Sugal Chand Jain, Chairman of Sugal & Damani, which is already in the lottery business. Maharashtra is among nine states where buying lotteries is legal.

The pitch from Jain's company highlights the potential revenue from taxes on betting. The idea being: Only 30 per cent of the population has access to legal lotteries but much gambling goes on illegally anyway. So, why not legalise it and collect taxes? That was recently seconded by Sheldon Adelson, the billionaire CEO of Las Vegas Sands Corp., a marquee name in the Nevada gambling industry. The company already makes 70 per cent of its revenues from Asia (from gambling centres in Macau and Singapore). Adelson said in June he has regularly asked the Indian government for permission to open a casino resort in Mumbai, Chennai, Delhi or Bangalore. So far, all his requests have been rejected. "There are thousands of underground gambling holes. People bet on cricket and horses, so why not use it as a legitimate source of income and employment, coupled with world class spas, restaurants and ballrooms," he asked in an interview with the news agency Press Trust of India.

Collections from taxes on gambling are indeed big sources of revenue for governments worldwide. China, for instance, funded 40 per cent of the spending on the Beijing Olympics with lottery proceeds. Britain runs a large portion of its healthcare system with proceeds from the UK National Lottery and some 40 per cent of sports funding in that country comes from lottery.

In India, in 2004, a clutch of lottery operators had proposed a draw to raise two-thirds of the Rs 750-crore then-estimated cost for holding the Commonwealth Games, but the Sheila Dikshit government in Delhi did not accept the offer. Says Goenka: "Surely even Delhi has its share of gambling during Diwali every year."



G. KESHAV RAJ

N. SUGAL CHAND JAIN
Chairman/ Sugal & Damani

"We are making a case with Maharashtra for sales of sports-betting cards"

In addition to the illegal sports betting channels that ride on hawala routes for taking money outside India and bring it back in, the growing spread of Internet betting sites, which are increasingly being controlled by international crime syndicates, is influencing match outcomes. The sports ministry and members of bodies like the Board of Control for Cricket in India believe that legalising sports betting will reduce match-fixing in cricket.

And, until that happens nationwide, the sports betting market from Sikkim will be too small to cover the costs of setting up distribution networks, hoisting the mobile and Internet platforms needed, and launching a new business brand. Goenka of Playwin reckons his company at best would rake in revenues of Rs 5 crore from the venture. "We don't expect to make money in Sikkim," he says matter-of-factly.

The bulk of any sport-betting venture's turnover in Sikkim would go as prize money, 10 per cent as the state's share in the prize payout and another 10 per cent would go to the Centre as service tax in addition to corporate tax of 30 per cent.

Still, as in most other Indian businesses, the bet in the sports wagering business is on high volumes. Playwin's lottery business, for instance, which operates on margins of barely eight per cent, has seen its revenues grow from Rs 650 crore in 2002-03 to Rs 2,200 crore in 2009-10. This, despite five states banning all lotteries.

But the business could be much, much bigger. Goenka estimates the Indian betting market (including lotteries, illegal draws, underground sports betting and operations such as *matka* betting) at a gargantuan $80 billion, or Rs 368,000 crore. "Eight per cent of $80 billion is huge money," says he, adding, his estimate is based on the fact that up to Rs 5,000 crore is sometimes bet on a single cricket match. Management consultancy and audit firm KPMG recently estimated the total market size at some $60 billion (Rs 282,000 crore).

Such pots of gold have drawn many in the past, the most recent being in the mid- to late-1990s. Videocon, Apollo, Shapoorji Pallonjee and Essar dabbled in the lottery business without much success. Those successful then are now betting that Sikkim's go-ahead on sports betting will be the next wave they can ride on. The odds that other states will legalise it too are for now high. ⊙

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EXCLUSIVE

The Acceleration Trap

It's not just individuals who burn out—companies do, too.

BY HEIKE BRUCH AND JOCHEN I. MENGES

Faced with intense market pressures, corporations often take on more than they can handle: they increase the number and speed of their activities, raise performance goals, shorten innovation cycles, and introduce new management technologies or organisational systems. For a while, they succeed brilliantly, but too often the CEO tries to make this furious pace the new normal. What began as an exceptional burst of achievement becomes chronic overloading, with dire consequences. Not only does the frenetic pace sap employee motivation, but the company's focus is scattered in various directions, which can confuse customers and threaten the brand.

Realising something is amiss, leaders frequently try to fight the symptoms instead of the cause. Interpreting employees' lack of motivation as laziness or unjustified protest, for example, they increase the pressure, only making matters worse. Exhaustion and resignation begin to blanket the company, and the best employees defect.

We call this phenomenon the acceleration trap. It harms the company on many levels — over-accelerated firms fare worse than their peers on performance, efficiency, employee productivity, and retention, among other measures, our research shows. The problem is pervasive, especially in the current environment of 24/7 accessibility and cost cutting. Half of 92 companies we investigated in 2009 were affected by the trap in one way or another — and most were unaware of the fact.

That's the bad news. The good news is, it's possible to escape the acceleration trap. Companies can sustain high performance over the long term without overtaxing their employees or confusing their customers. In this article, we'll show leaders how to recognise the acceleration problem, start to move their companies in a different direction, and make cultural changes that will prevent future entrapment.

Being Trapped

We have studied more than 600 companies over the past nine years as we tried to understand acceleration. Our data provide a sobering look at conditions inside a company that is accelerating too much. At companies we define as fully trapped, 60 per cent of surveyed employees agreed or strongly agreed that they lacked sufficient resources to get their work done; compare that with 2 per cent at companies that weren't trapped. The findings were similar for the statements "I work under constantly elevated time pressure" (80 per cent versus 4 per cent) and "My company's priorities frequently change" (75 per cent versus 1 per cent). Most respondents at fully trapped companies disagreed or strongly disagreed that they saw a light at the end of the tunnel of intense working periods (83 per cent versus 3 per cent in non-trapped companies) and that they regularly got a chance to regenerate (86 per cent versus 6 per cent).

Most of the companies in our study landed in the trap after an exhilarating ride. A good example is the European conglomerate ABB. Founded in 1987 in a merger between the Swedish Asea Group and the Swiss Brown Boveri Group, ABB grew rapidly, buying 55 companies in its first two years. After eight years of strong growth, the company began to show signs of excessive acceleration.

CRISIS MANAGEMENT BY STOPPING THE ACTION

In the midst of the economic crisis in 2009, Executives of Phoenix Contact, the German maker of industrial electrical and electronic technologies, sensed employees were becoming overloaded. Reductions in workers' hours had resulted in lower company capacity, so Executive Vice President and Board member Gunther Olesch initiated a process to reduce the workload across all units and levels.

He asked managers to classify all current and future projects as A) Necessary for the company as a whole, B) Important but can be postponed for a while, or C) Can be delayed for two years or cancelled. "At first, people said, 'We have only A-tasks,'" Olesch explains, "and I answered, 'Then classify your tasks as A1, A2, or A3.' We have to cancel activities – otherwise we burn out and we will not come out of the crisis in fit shape."

Acquisitions were no longer well integrated; different parts of the company were competing for the same customers. One annoyed customer, with seven business cards already on his desk from ABB salespeople, suggested sarcastically to the eighth rep that next time, they all get on a bus and visit him together. As we'll describe later, ABB's situation didn't improve until a new CEO, Jürgen Dormann, extricated the company from the acceleration trap.

The Habit of Constant Change

Over-accelerated companies exhibit at least one of three patterns of destructive activity. The first is, simply, that employees are overloaded with too many activities. They don't have the time or the resources required to do their jobs. Some 35 per cent of firms in our sample overloaded their employees. Bombardier Transportation, the Berlin-based global market leader for rail transportation technology, is one example. It had experienced success and enormous growth, but in the past few years, it was operating in a continual state of overload. To keep up with competitive pressures, it took measures to optimise efficiency and enlarge capacity. But as the value of its contracts more than doubled, its number of engineers grew only slightly. The company has since addressed the overload problem, but at the time, employee burnout was a serious threat.

The second pattern is what we call multiloading: companies ask employees to do too many kinds of activities. This leaves employees and the company as a whole unfocussed, and activities are misaligned. Some 35 per cent of firms in our sample suffered from multiloading. ABB was both an overloader and a multiloader, giving employees too much to do and saddling them with restructuring plans that called for too many different types of actions. As a result, most of ABB's field managers were working without focus and achieving little effective change.

Finally, companies get into the habit of constant change, or perpetual loading. This pattern deprives workers of any hope of retreat for recharging their energy. To compensate, they hold back their efforts whenever they can, even if doing so hampers the company. Some 30 per cent of firms in our sample were affected by perpetual loading. These companies, which persistently operate close to capacity limits, tend to be the hardest on employees. Just about anyone can tolerate overloading or multiloading for a while, especially if there's an end in sight, but when leaders neglect to call a halt to periods of furious activity, employees feel imprisoned by the debilitating frenzy.

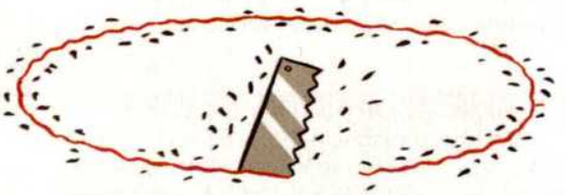
At Lufthansa, for example, employees experienced a decade of relentless change and cost cutting measures. In 2004, Holger Hätty, then a member of the Executive Board of Lufthansa Passenger Transportation, told us that employees were worn down by being told over and over again to economise. "Our people respond by asking, 'When is the economising going to come to an end?' They are exhausted, and every time they slow down to catch their breath, there we are at their heels, telling them: 'Economise!'" Lufthansa successfully extricated itself from the trap, as we describe below.

How to Break Free

If your company is caught in the acceleration trap, you have several ways to break free: halt less-important work, be clear about strategy, create a system for winnowing projects, and declare an end to the current high-energy phase.

Stop the action. Instead of asking employees to suggest new initiatives to improve the company, why not turn the question around? Ask employees for ideas about what to terminate. Employees often respond with a slew of good suggestions. At one company we studied, they came up with some 540 ideas, three times the annual number of new-project ideas they had been suggesting. The company ended up halting 40 per cent of its projects. Regularly ask yourself, your managers, and the whole company: "Which of our current activities would we start now if they weren't already under way?" Then eliminate all the others.

Be clear about strategy. Asking "What should we stop doing?" and then terminating non-essential tasks requires CEO fortitude. Projects that



Regularly ask yourself, your managers, and the whole company:
"Which of our current activities would we start now if they weren't already underway?" Then eliminate all the others.

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DOES YOUR COMPANY HAVE AN ACCELERATION CULTURE?

If you answer "yes" to more than five of the following questions, then chances are good that your company is caught in the acceleration trap. If you answer "yes" to more than eight, it's extremely likely that you're trapped.

- Are activities started too quickly?
- Is it hard to get the most important things done because too many other activities diffuse focus?
- Is ending activities considered a sign of weakness?
- Are projects carried out pro-forma because people fear ending them publicly?
- Is there a tendency to continually drive the organisation to the limits of its capacity?
- Is it impossible for employees to see the light at the end of the tunnel?
- Does the company value attendance at work and meetings more than goal achievement?
- Does it value visibly hard effort over tangible results?
- Are employees made to feel guilty if they leave work early?
- Do employees talk a lot about how big their workload is?
- Is busyness valued?
- Are managers expected to act as role models by being involved in multiple projects?
- Is "no" a taboo word, even for people who have already taken on too many projects?
- Is there an expectation in the organisation that people must respond to e-mails within minutes?
- Do countless people routinely get copied on e-mails because employees are trying to protect themselves?
- In their free time, do employees keep their cell phones or messaging devices on because they feel they always need to be reachable?

need to be killed may have highly placed sponsors, so the CEO must be prepared to step on some toes. Ultimately, the choice to keep or cut loose hinges on whether an activity directly supports the company's strategy — so that strategy must be clearly understood throughout the entire firm.

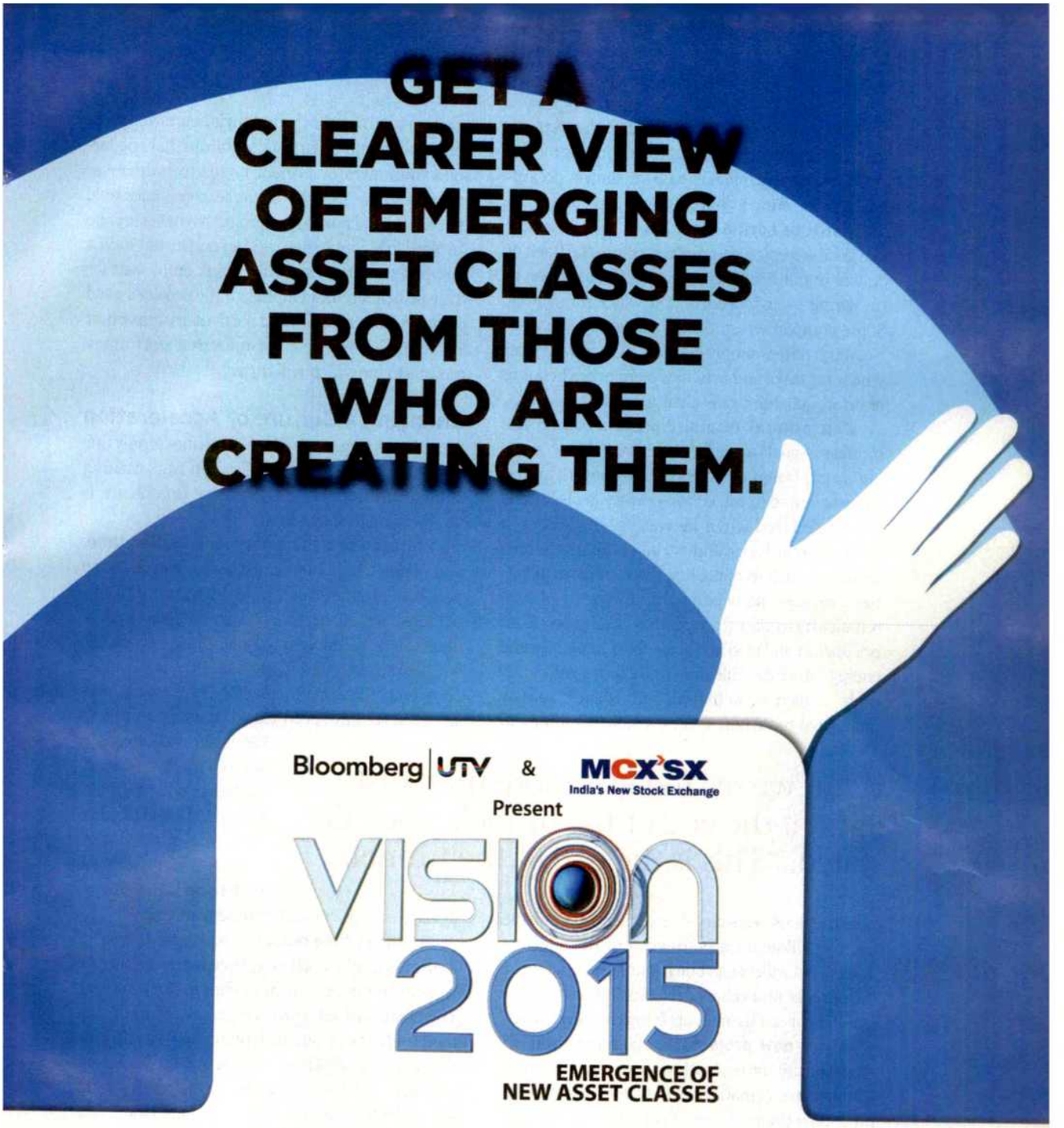
Decide how to make decisions. Not every project that supports the company's strategy is of major importance. So, companies need a systematic way to make hard choices. When the Otto Group, a leading international trading and services corporation with 53,000 employees, restructured, managers found themselves burdened with 20-30 per cent more work. So, in 2007, the company initiated a stop-action review. Each executive was asked to select a single project that he or she wanted to complete by all means. But that still left too many in play, according to Thomas Grünes, then Head of Central Services, so the list was then halved based on each project's required investment, value-to-cost ratio, and, in certain cases, symbolic value for employees. For example, the final list included a redesign of reception areas and staff restaurants, which increased pride and performance "and thus was a very important initiative, although the economic value was not obvious," Grünes says. To guard against bloat, the company has made that process an annual activity.

Declare the turmoil over. If the acceleration trap consists not of a plethora of projects but of ceaseless turmoil, the CEO can extricate the company by calling an end to the current round of changes. After taking the helm at ABB, Jürgen Dormann instituted a number of emergency measures to relieve employees from change and frenetic activity. In one of his weekly messages to employees, he declared that the reorganisation crisis was officially over. "What we see today is more than just light at the end of the tunnel," he stated. "This is the end of the tunnel." Employees felt proud and relieved.

Lufthansa did something similar by easing its formerly relentless — and exhausting — focus on cost control. Although cost sensitivity remains important, Wolfgang Mayrhuber, who became CEO in 2003, allowed the firm to recover from the seemingly never-ending process of savings by shifting the focus towards more innovation, a service culture, and diversification. He also further decentralised the company and gave employees more freedom to work at their own pace.

Don't Get Trapped Again

Just as important as breaking free is preventing future entrapment. To do that, executives can institute stop-action initiatives, reduce the number of



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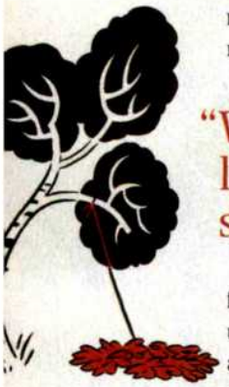
goals the company sets, and mandate that project-management systems carefully filter out the mediocre ideas. Some companies ease the sting of project-killing by creating a "burying" culture.

Institute spring cleaning. A period devoted to a good sweeping gets managers into the habit of culling initiatives. Of course, it needn't happen in the spring — or, indeed, on a strictly annual basis. Some companies establish a schedule of housecleaning; others simply decide that they will clean whenever tasks and activities seem overwhelming or before starting a new change process.

Cap annual goals. Placing a cap on the number of goals set each year is crucial to preventing an explosion of activities. "Managers are no longer allowed to set 10 top-priority goals," Hans Schulz declared when he was CEO of Balzers, a Liechtenstein-based industrial company. Schulz permitted each to name just three "must-win battles," because he believes that the point of goal setting isn't to pile up projects but "to give people an orientation and to focus their action, attention, and energy." After this rule went into effect, significantly more goals were achieved, Schulz says. To help make goal-reduction stick, a visible commitment from the CEO is necessary — especially in companies used to following a management-by-objectives approach. Leaders must help managers understand the purpose and value of refocussing on just a few goals and assist them in applying the new rules.



"What we see today is more than just light at the end of the tunnel," the CEO stated. "This is the end of the tunnel."

Filter new projects. At too many firms, the CEO implicitly or explicitly encourages the people running project management systems to get caught up in new-project euphoria and to be liberal with go-aheads. Instead, CEOs should require that project management systems be used as much to filter and prioritise as to manage projects. At the beginning of a project cycle, project managers should ask: Do we have the resources for this project? Who will lead and own it? What other project will we abandon to make room for this one?

Introduce a "burying" culture. Terminating a project can cause serious pain not only to its sponsors but also to the lower-level people who have been toiling on it. In a company that values commitment and reliability, managers and employees are likely to feel ashamed at being told to stop working on something they've put their hearts and souls into. One solution is to foster a culture that encourages managers or project heads to halt lesser projects. We've seen, for instance, companies hold a metaphorical burial for a project so that everyone involved in it could grieve and let go. During such a ceremony, managers should thank employees for their dedication and emphasise the project's good points. A burying culture is particularly important for highly innovative companies that start many projects to see which will thrive.

Changing a Culture of Acceleration

Preventing the growth of new activities is only one aspect of avoiding the acceleration trap. Making changes in the company's hurry-up culture is another crucial component.

Focus on one thing only for a limited time. Companies can put on blinders for a specified time period to pursue strategically important projects without distractions. Lidl, an international chain of discounters, called for a companywide new project ban between May and September 2009 as it focussed on opening 29 supermarkets in Switzerland. "We would never have been able to manage this enormous show of strength without this project ban," Andreas Pohl, CEO of Lidl Switzerland, told us. Ideas for future projects were collected, but everyone understood that the list would not be discussed before September.

Institute time outs. In 2004, after a period of deep organisational change, Microsoft announced it wouldn't introduce any more changes for a full year. The break "helped employees recover from the immense efforts of our restructuring," says Ulrich Holtz, General Manager for HR at Microsoft International. It's a tactic we see too rarely. In our study of 92 German companies, we found that in the 46 caught in the acceleration trap, 86 per cent of employees complained that their firms didn't provide adequate time for reflection and regeneration after stressful phases. Perhaps, that's because leaders tend to view time outs — of any length — as disruptions. We disagree. Time outs are periods that allow for creativity and exploration. They prepare workers mentally and emotionally for the next phase of high performance, thereby increasing the company's productivity. Specify the length of planned time outs. For example, declare a six-month moratorium on new initiatives or a year-long respite from organisational change.

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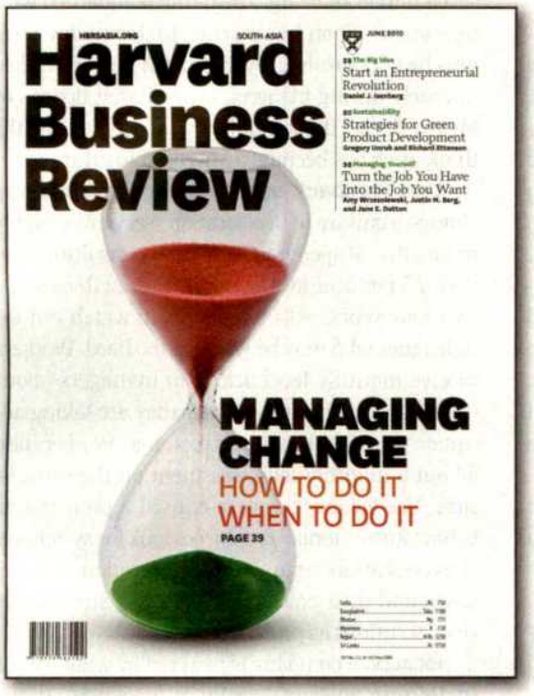

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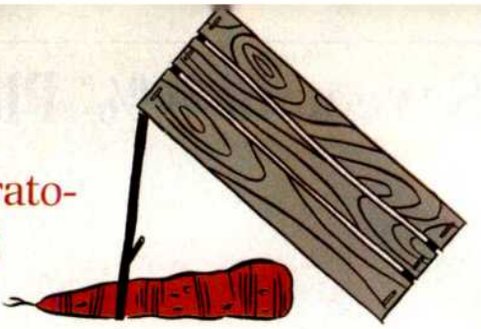

Specify the length of planned time outs. For example, declare a six-month moratorium on new initiatives or a year-long respite from organisational change.

Slow down to speed up. If time outs represent too radical a change, companies can systematically insert periods of calm, regeneration, and incremental change amid high-energy phases. Deliberately alternating episodes of high energy and regeneration has helped Switzerland-based Sonova Group, the world market leader in hearing aids, achieve extraordinary innovation and a growth rate in 2008–2009 of about 8 per cent, which was substantially higher than its competitors'. Ever since 2002, the company has committed to launching two product generations per year. The entire company goes into overdrive to make sure these events, in April and November, go off without a hitch, but after each successful launch there is a lull in activity, allowing the teams to recharge.

Indulge in successes. Most companies do not celebrate ends. They think the completion of a project is a reward in itself. It isn't. Achievements and outstanding effort deserve acknowledgment. Take a moment to reflect and feel proud of accomplishments. These moments are rare, and too often leaders fail to savour them but rather rush full-speed ahead into the next tunnel.

Model better behaviour. Executives should serve as role models for effectively renewing energy and commitment. Bill Gates used to retreat to a cottage for a "think week" every spring and fall, taking with him ideas submitted by Microsoft employees. Doing so allowed him to focus exclusively on a crucial business task — the selection of new directions in product development — and saved him from being constantly bombarded with new ideas. When he returned to day-to-day business he felt refreshed, even though he had worked intensely during his week away. Today, dozens of Microsoft's big thinkers follow that pattern, and the think week has become a Microsoft institution.

Use feedback systems. Feedback can help change a culture of acceleration. Serview, a highly productive 30-person German IT consulting firm with 25 per cent average annual growth over the past four years, asks employees to watch out for colleagues who may be working too hard. Workers receive monthly feedback from managers about (among other things) whether they are taking adequate measures to rest and recharge. Workers also fill out a monthly self-assessment on the same issues. The feedback system caused a pronounced behavioural change. Employees look for symptoms of excessive labour and over-acceleration in themselves and their colleagues, and they strive to develop solutions as problems arise.

IDEALLY, a company is powered by what we call sustaining energy — a joyful urgency among employees that never burns out. Many CEOs catch glimpses of this ideal, especially in energy-intense phases such as high-speed growth and innovation or in crisis situations, when the entire workforce is highly motivated to achieve critical goals. But if the leader gets greedy, demanding the same level of urgency every day, the energy will fizzle and performance will sink, despite employees' heroics. So, here's the best advice we can give CEOs: don't drive your company constantly to its limits. Relentless acceleration leads to loss of focus, an uncontrolled flood of activities, organisational fatigue, and burnout. Be aware of the exertion that underlies every burst of effort, and work towards making sure the firm's energy level is sustainable. This means being vigilant, even when things are going smoothly, for signs that the company is slipping into the acceleration trap. ⊙

A PIT STOP CULTURE

Hilti, the Liechtenstein-based building-products maker, excels at slowing down to speed up. On a regular basis, teams attend two-day-long "team camps," which collectively represent 30,000 workdays and cost some $9.6 million annually. At one such camp, called Pit Stop, teams step back and reflect so that they can return to their regular jobs re-energised. The retreat includes a "personal pit stop," in which individuals are encouraged to find ways to restore their energy. The Executive Committee and the Board of Directors take part in these camps, too. "We are the owners and guardians of the culture," CEO Bo Risberg says.

The company continued to invest in its camps despite a 20 per cent revenue drop in 2009. "Particularly in a difficult time, the values and the culture play an important role," Eivind Slaaen, Senior Vice President for Human Resources, explains.

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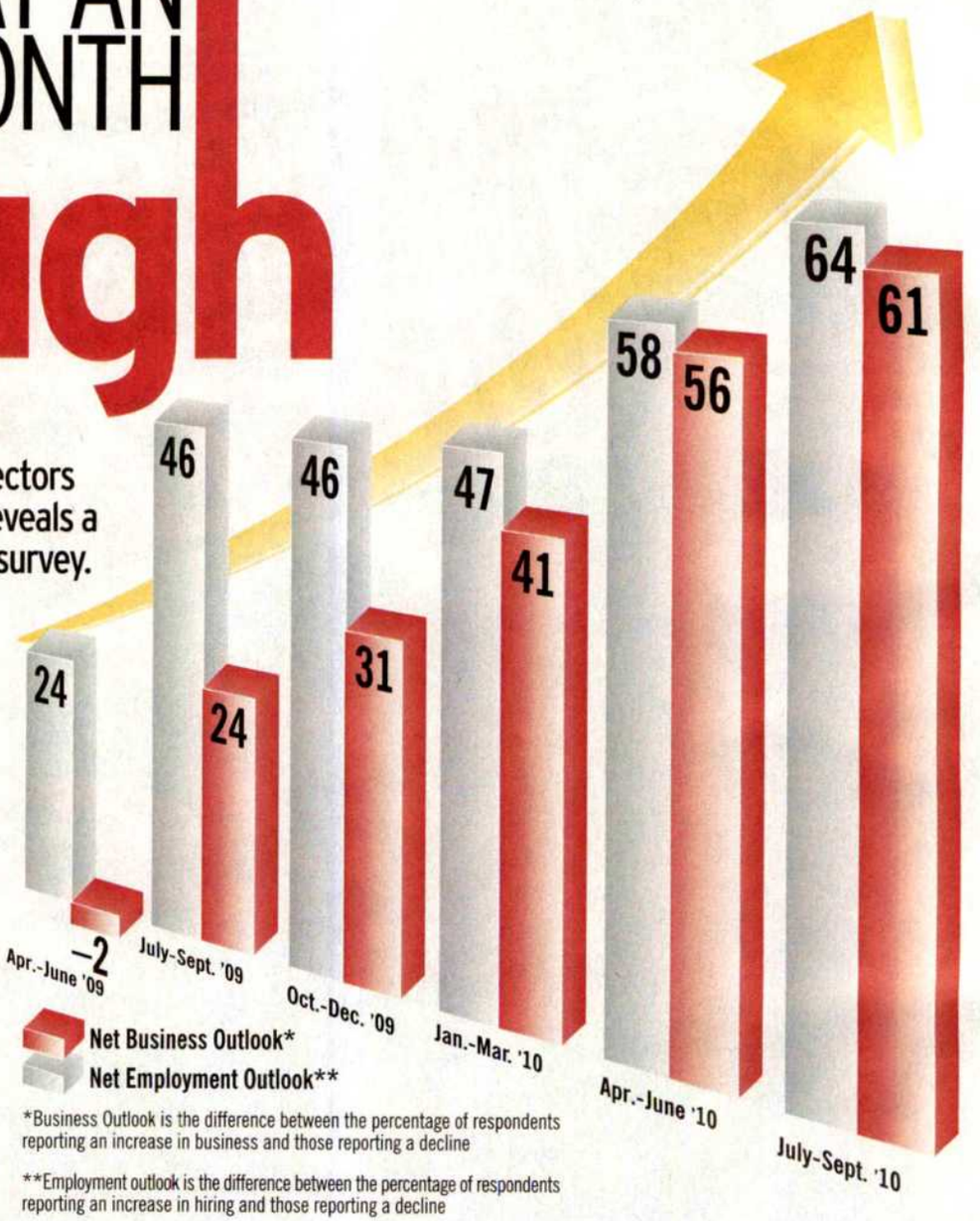
HIRING AT AN 18-MONTH High

Infrastructure, manufacturing and telecom sectors are on a roll, reveals a BT-TeamLease survey.



*Business Outlook is the difference between the percentage of respondents reporting an increase in business and those reporting a decline

**Employment outlook is the difference between the percentage of respondents reporting an increase in hiring and those reporting a decline

There is good news for jobseekers in India. Companies across sectors are stepping up hiring. And the eerie lull in the job market at this time last year has given way to sustained hope for plentiful opportunities, the BT-TeamLease Employment Outlook Survey for the July-September 2010 quarter shows.

Sample some of the findings. Hiring sentiment for the quarter is at an 18-month high, with the Employment Outlook Index rising six percentage points to 64. The index depicts the difference between the percentage of respondents reporting an increase in hiring and those reporting a decline. This is the second successive quarter showing an increase in the index, which had

remained more or less stagnant between July 2009 and March 2010, after recording a low hiring sentiment between January and June 2009. What's more, the 'Not Hiring' category in the survey has dipped to a 12-month low at 12 per cent, falling eight percentage points.

Almost all sectors have contributed to the increased demand for talent. Healthcare and pharmaceuticals have recorded a slight decline in hiring, though. Infrastructure, with a 21 percentage point increase, manufacturing and engineering, and telecom, with 13 and 11 percentage point increases, respectively, have been the major contributors to the increase in the index value.

Among cities, Delhi leads in hiring sentiment with a 19 percentage point increase in the index, followed by Mumbai and Ahmedabad with 14 percentage points each. Covering eight cities — Mumbai, Delhi, Bangalore, Kolkata, Chennai, Pune, Hyderabad and Ahmedabad — the survey drew responses from 568 companies (see *Methodology*).

Infrastructure Perks Up

The pick among the sectors this quarter is infrastructure. It has bounced back after a sharp dip of 33 percentage points in the previous quarter, while manufacturing and engineering has continued its dream run of sorts for the fourth quarter in succession. Telecom is seeing a healthy growth after three stagnant quarters.

Players in the infrastructure space seem to be buoyed by hopes of new projects coming their way and with existing projects getting financially closed. Take GVK Power and Infrastructure, for instance. "We will begin by hiring at least 200 in the next three to six months as two of our projects have achieved financial closure and two more have financial closure just around the corner," says Issac A. George, CFO.

The four GVK projects include the 540-MW Goindwal Sahib thermal power project in Punjab (Rs 3,200 crore); a Rs 300-crore opencast coal mining project in Jharkhand; a Rs 850-crore road project in Rajasthan connecting Deoli with Kota; and finally, a 690-MW hydroelectric project in Jammu on the Chenab river (Rs 5,000 crore).

New telecom services entrant Uninor, which is expanding its operations in northern India and entering new circles in this region, is looking to hire talent across functions, again with a big focus on sales and distribution. "We are actively looking for talent from sectors such as FMCG and consumer durables," says Kerstin Thulin, Executive Vice President for People and Organisation at Uninor.

The financial services sector has also stepped up hiring, recording an increase of seven percentage points this quarter. Motilal Oswal Financial Services, which hired approximately 400 people in the last two quarters, plans to add 300 to propel its business. Says Sudhir Dhar, Senior Vice President for Human Resources (HR) & Administration, "The uptick in hiring is due to a positive outlook on the stock markets. The bulk of our hiring is in sales and advisory."

Another player, Emkay Global Financial Services, has hired 300 people in the last two quarters and plans to add 100 in the July-September quarter, primarily in its retail and private wealth management verticals. Says Ruth Singh, Head of Human Resources at Emkay: "We are looking for relationship managers, dealers, financial advisors, and portfolio advisors." Anand Rathi, yet another financial services firm, plans to hire 250 in the current quarter.

"We are actively looking for talent from sectors such as FMCG and consumer durables"

Kerstin Thulin, **Executive Vice President for People and Organisation, Uninor**

Hiring in healthcare and pharma has dipped marginally in the quarter, but this could well be a temporary setback. "Several new projects have already been announced and both core and allied services in the sector are witnessing brisk hiring," says Kanika Vaswani, Executive Director, Elixir, an HR solutions firm. In fact, some HR heads like A. Lakshminarayana, General Manager at NATCO Pharma, believe that the sector is facing a talent shortage. "There is a scarcity of right competencies in quality control, regulatory affairs and analytical R&D," he says.

IT is Robust

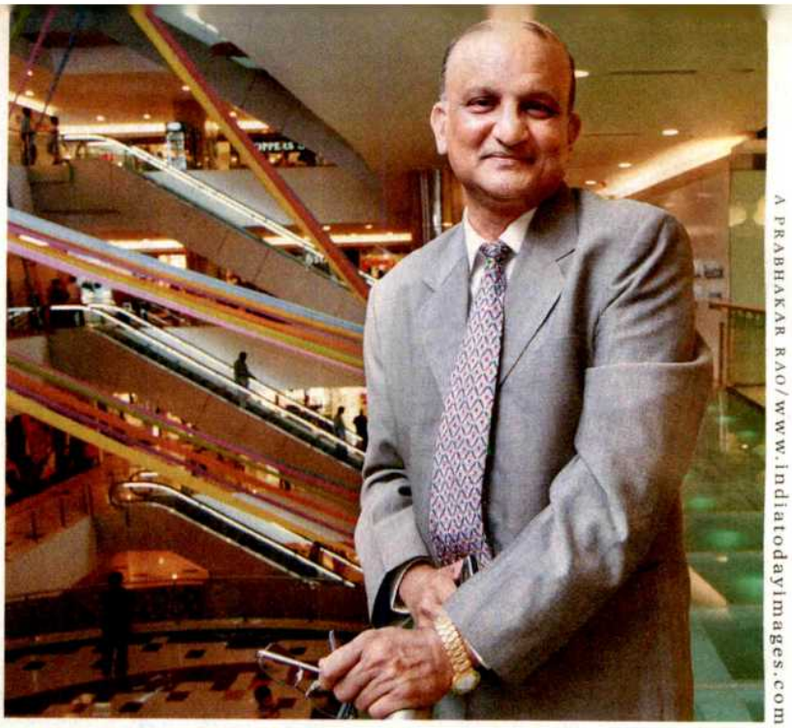
With the good times returning, information technology (IT) and IT-enabled services companies are restarting their hiring engines. Companies across the board — services, products, multinationals and home-grown — have begun scouting for talent. Leading the way is sector bellwether Infosys Technologies, which has already hired some 30,000 in the current financial year, including some 2,000 people in China, where its operations have broken even.

T.V. Mohandas Pai, Director of Facilities and Administration at Infosys, says the company will focus on increasing its visibility in overseas markets, especially in the lucrative West European and North American geographies. Infosys and companies such as mid-tier vendor MphasiS have launched drives to re-hire former employees. "We plan to grow at 16-18 per cent this year and our hiring needs to keep pace with this," says Pai.

HR consultants, too, agree that the pace of hiring has picked up. According to Ajit Isaac, Managing Director of Ikya Human Capital Solutions, a Bangalore-based HR solutions provider, the recovery in India Inc. is reflected in the strong hiring across the IT industry. "Most companies have internalised hiring in the last two years and they're focussing on improving the quality of talent in the 6-10 year experience bracket," he says.

Jeya Kumar, CEO of mid-tier Patni Computer Systems, says the company will hire across functions such as infrastructure management, business process outsourcing services and application development. "We also expect to improve utilisation levels this year and a reduction in bench levels," he adds. Unlike its peers, Patni plans to expand into smaller cities such as Gandhinagar, Noida and Pune.

Junior and entry-level talent is

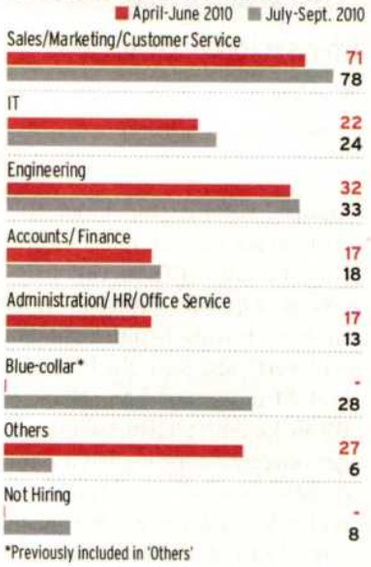


A PRABHAKAR RAO/WWW.INDIATODAYIMAGES.COM

"For four of our projects, we will begin by hiring at least 200 in the next three to six months"

Issac A. George, CFO, GVK Power and Infrastructure

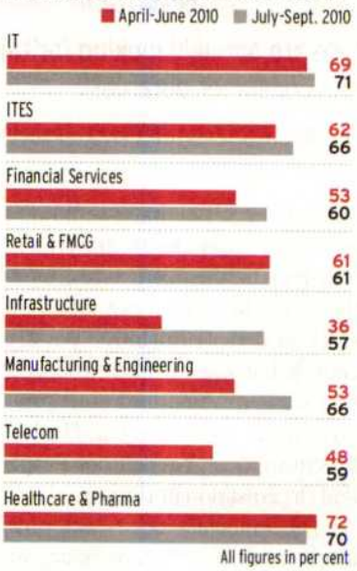
SALES AND MARKETING JOBS SOAR



*Previously included in 'Others'

UTTAM

INFRASTRUCTURE BOUNCES BACK



All figures in per cent

now finding favour among employers, indicating that volume hiring could well be anticipated over the next three months. Hiring at these levels is expected to make a strong comeback with an increase of 17 and 11 percentage points, respectively, in hiring intent — the biggest rise after more than 24 months of stagnant or negative growth in index value.

Focus on Youth

This, however, has cut significantly into mid-level hiring, although the sheer weight of sentiment in favour of junior and entry levels more than makes up for the mid-management cutback.

Auto sector players such as Rane Group, a components conglomerate with a turnover of Rs 1,500 crore, have begun hiring at the entry level. "Need-based hiring is happening in middle and senior levels, too, and sometimes this is lateral," says Executive Vice President R. Venkatanarayanan. Ford India, too, is upbeat on the business outlook. "Hiring has never been low. Now we are hiring even more to take care of the second shift," says Dhananjay Nair, General Manager, HR, Ford India.

Uninor seems to be an exception and is looking for talent at the mid-management level.

To meet talent requirements, companies are looking well beyond the urban markets. Legal process outsourcing firm Pangea3 is hiring entry level talent from Tier-II and III cities that are home to top law colleges. "More than 30 per cent of our employees are hired from law schools based in Tier-II towns such as Faridabad, Goa, Jodhpur, Baroda, Ranchi, Chandigarh, Indore and Bhopal," says Sanjay Kamlani, Co-CEO, Pangea3.

What's next? The positive hiring story is likely to continue over the next quarter. Says Sangeeta Lala, Vice President, Sourcing, TeamLease Services: "We are seeing positive hiring intentions over the past few months and are expecting this to continue." ⊙

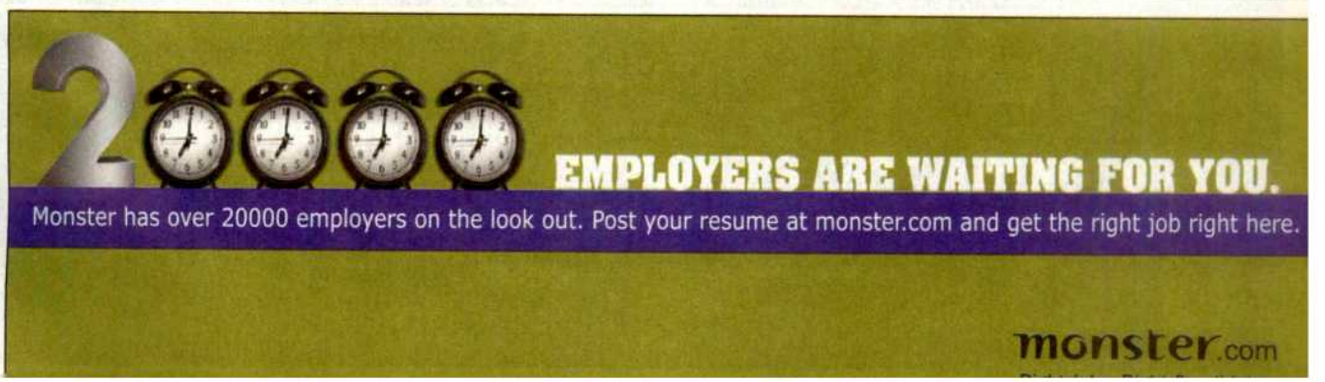
REPORTING BY SAUMYA BHATTACHARYA, RAHUL SACHITANAND, E.KUMAR SHARMA, NITYA VARADARAJAN & ANAMIKA BUTALIA

METHODOLOGY

The BT-TeamLease Employment Outlook Survey, which follows a rigorous, statistically-validated process adhering to the highest standards in market research, was conducted among 568 companies selected from the Kompass Directory, which lists 70 per cent of all registered companies in the organised sector, from NASSCOM for IT companies, and from companies registered with the website *www.bpoindia.org* for ITES companies, and the Bombay Stock Exchange. Care was taken to ensure a good mix of large, medium and small companies as also an equitable representation across industries to remove any bias or variation that might be attributable to a particular industry. The target respondents at these companies were the HR heads or decision makers in the hiring process. A total of 568 interviews were conducted during May and June 2010 and responses obtained were coded at the time of data collection. Given the concentration of companies in Mumbai, Delhi, Kolkata, Chennai, Bangalore, Hyderabad, Pune and Ahmedabad, the study was restricted to companies with a presence in these cities. A random sampling was drawn from each city with due weightage to size. Two indices, the Employment Outlook Index and the Business Outlook Index, were computed to elaborate and analyse the trends that emerged from the data.

SAMPLE DISTRIBUTION

Sectors/ City	Mum.	Del.	Ban.	Kol.	Che.	Pune	Hyd.	Ahm.	Total
Manufacturing & Engg.	10	8	8	7	12	16	8	8	77
Retail & FMCG	22	11	8	11	12	8	6	7	85
Financial Services	13	6	13	7	10	8	12	8	77
IT	8	8	12	8	8	8	8	8	68
ITES	6	9	10	7	8	8	8	8	64
Infrastructure	8	10	8	8	8	7	8	8	65
Telecom	13	15	10	8	6	8	5	5	70
Healthcare & Pharma	8	7	8	8	8	6	9	8	62
Total	88	74	77	64	72	69	64	60	568



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Informatica Corporation
IT Global Operations Manager
Location: Bangalore
Job ID: 8227032
Description: Providing management and strategic direction for the Global Operation Center supporting enterprise infrastructure day to day operation activities.

Virtusa Software Services Pvt Ltd
Sharepoint Architect
Location: Chennai
Job ID: 8359630
Description: Candidate will be responsible for research, design, and implement high level architecture in Sharepoint and review detailed designs.

Patni Computer Systems Ltd
Technical Architect - SOA/BPM
Location: Mumbai
Job ID: 8446102
Description: Applicant must have experienc in Requirement Analysis, Design Development and Deployment, SO Standards, Governance, Security, Open Sourc Platforms.

Juniper Networks Inc.
Sr Technical Writer
Location: Bangalore
Job ID: 8462301
Description: Looking for a BA/BS or equivalent and technical writing experience.Familiarity with structured writing and single-sourcing in XML and publishing in HTML.

BrickRed Technologies
Engineering Manager
Location: Noida
Job ID: 8350214
Description: He/She must have Bachelor Degree or higher in Engineering, Technolog or related field; exp. in project/ I Management, coordinating IT busines processes.

Capgemini
Business Analyst
Location: Chennai
Job ID: 8423043
Description: Applicant must have Knowledge of any two systems: EPA, Faster Payments, BOC, ACH Systems, RTGS Systems etc. Experience in SWIFT is mandatory.

Suzlon Energy Ltd
Dy.Mgr/ Mgr-Commercial
Location: Pune
Job ID: 7834266
Description: Role: Developing implementing process/procedures for bett controlling and smooth operation of busines Assisting the Accounts; Preparation monthly reports.

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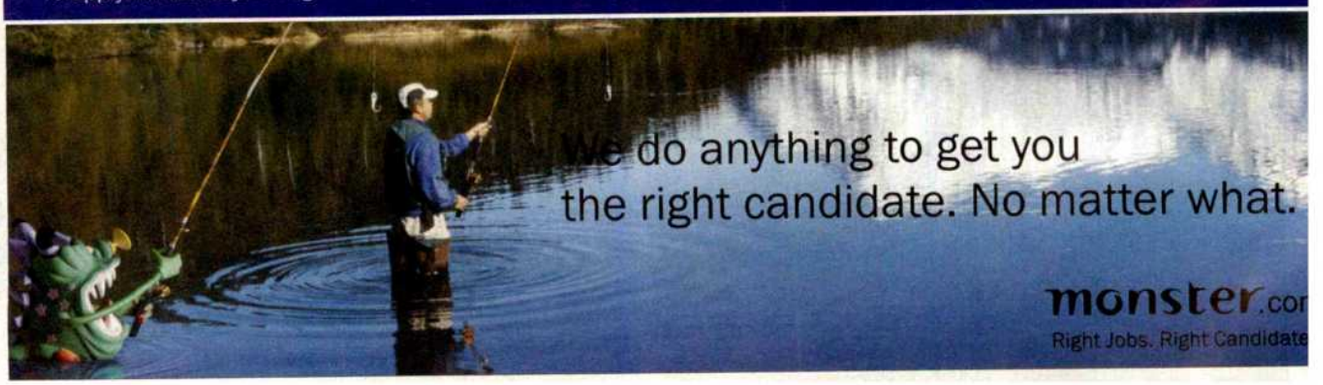

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Senior Software Engineer
Location: Bangalore
Job ID: 8374094
Description: Experience in OAM sub-system development and C++ coding skills. RoseRT/Clearcase knowledge. Exposure to complete SDLC. Feature requirement analysis, design, coding & unit testing

ValueLabs
Systems Analayst
Location: Hyderabad
Job ID: 8468666
Description: Developer should have a strong understanding of Windows SharePoint Services 3.0 (WSS 3.0) and Microsoft Office SharePoint Server 2007 (MOSS2007).

Dishman Pharmaceuticals and Chemicals Limited
Consultant - SAP - PP/QM
Location: Ahmedabad
Job ID: 8286782
Description: Must have at least 4-9 years of exp. as a PP and QM SAP Consultant. Experience of Implementation from the Pharma industries preferred.

Tech Mahindra Limited
Associate - Semi Voice
Location: Pune
Job ID: 8460296
Description: Looking for non technical graduates with good communication skills and proficiency in excel.

Conseco Data Services (India) Pvt Ltd
Test Engineer-Automation
Location: Hyderabad
Job ID: 8295498
Description: Experience in performing and designing manual and automated test scripts. Experience in working in a test automation role and more.

Web Development Co. Ltd.
Peoplesoft Consultant
Location: Bangalore / Chennai
Job ID: 8131600
Description: We are looking for Peoplesoft Consultant on HCM , CRM and Finance. Selected resource should be willing to relocate across India and must have good communication skill. Desired Level of experience is 3+ yrs.

Sterling Commerce
Director - IT Systems & Services
Location: Bangalore
Job ID: 8476870
Description: Oversees analytical, technical and administrative work in the planning, design, installation, support, and operation of Sterling IT environments and more.

ABB Limited
Senior Software Engineer
Location: Bangalore
Job ID: 8420170
Description: The person will be responsible for SDLC tools(third party tools) integration and workflow development in tools from HP/IBM/Rational/Microsoft for diff R&D units.

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Amdocs Development Centre India Private Limited
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Location: Gurgaon
Job ID: 8476329
Description: Support with identifying opportunities. Assist in qualification. Assist in the sales process from solution, technical and financial perspective.

Cisco Systems (India) Private Limited
Account Manager Sales
Location: Delhi, Mumbai
Job ID: 8190435
Description: Responsible for increasi account penetration, customer satisfaction a sales growth for long term results.

Oracle
International Business Dev Mgr
Location: Bangalore
Job ID: 8381588
Description: The candidates should be a graduate and should have at least 2 to 6 years experience handling end to end sales cycle of Software products.

Quadlabs Technologies Private Limited
Business Development Manager
Location: Noida
Job ID: 3482203
Description: Duties: Working closely with t Marketing team; Target based sales a revenue generation; Presentations, pre-sal costing and negotiations; client meetings etc.

Philips Electronics (India) Limited
Deputy Manager /Senior Engineer
Location: Kolkata
Job ID: 8475962
Description: Graduate Engineers in Electronics /Instrumentation/Biomedical Engineering. Corrective Maintenance, Planned Maintenance etc.

NetApp
Sales Manager
Location: Bangalore
Job ID: 8468971
Description: Graduate with experience whi demonstrates a significant level of expertise technical specifications required to s NetApp products and services is required.

Kewal Kiran Clothing Limited
Sales Executive / Sr. Sales Executive
Location: Ahmedabad, Bhopal
Job ID: 8425019
Description: Travel throughout Western India (Gujarat, M.P & Maharashtra). Should have the good knowledge to give the range presentation to the Garment Retailers etc.

SIEMENS
Business Development Manager
Location: Mumbai, Pune
Job ID: 7120803
Description: Incumbent must have releva SAP Solution selling experience Manufacturing Domain.

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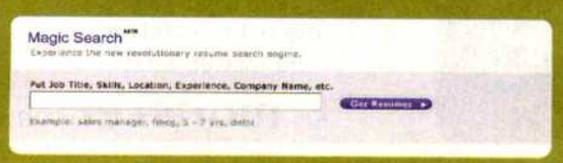

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ACS, Inc.
Chartered Accountants
Location: Bangalore
Job ID: 8427029
Description: Person should be able to prepare financials for statutory audit, schedules, notes & reconciliations; knowledge of accounting standards, direct and indirect taxes.

Professional Access, Limited
Finance Executive/ Account Executive
Location: Bangalore
Job ID: 8463012
Description: He/She must have knowledge of :Accounts receivables, Payables,Bank Reconciliation,Book keeping,General ledgers; exposure on Payroll, PF & ESI,Tally

Altisource Business Solutions Pvt Ltd
Tax Manager
Location: Bangalore
Job ID: 8374548
Description: We are looking for Tax Manager, specialized in the US taxation and FAS 109. Experience: 3-11 yrs. Qualification: CA

Indiabulls
Sales Manager
Location: Delhi
Job ID: 7469343
Description: Must have at least 2 yrs exp. in Sales Insurance, good communication skills and personality. Ability to motivate his team & handle pressure situations.

WNS Global Services
Sr.Executive Finance
Location: Pune
Job ID: 8419045
Description: Role:Oversees the monthly, quarterly and annual close processes to ensure proper reporting of Financials both as per US GAAP as well as UK GAAP.

Sapient
Senior Associate (Product Control)
Location: Gurgaon
Job ID: 8294946
Description: Person must have Bachelors degree in finance, accounting or quantitative discipline; Business exposure to Equity or Credit or at least complex cross asset products.

Kronos Incorporated
Finance Manager
Location: Bangalore
Job ID: 8366229
Description: Bookings & revenue reporting. Conducting commission calculations. Forecasting & Budgeting revenue, expense and cash and more.

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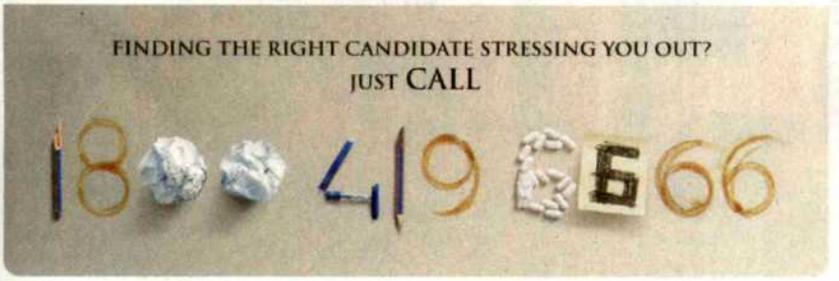

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Icing on the CAKE

The IRDA guidelines will make Ulips cheaper and better while retaining their inherent benefits. BY NITYA VARADARAJAN

Abhinav Jain has decided to break the vow he took three years ago. In 2007, two years after he bought an insurance-cum-investment plan, the Jaipur-based production manager realised that the features of his Unit Linked Insurance Plan (Ulip) were loaded against him. "The charges in the first two years were so high that barely 30-40 per cent of the premium was invested," says Jain. He felt cheated by the insurance company and the broker and swore never to invest in a market-linked insurance product again.

However, Jain has gone back on his word and is shopping for a Ulip once again. This is because the recent regulatory changes in Ulips and those expected in the future promise to reduce or remove some of the draw-

backs of the hottest-selling insurance product. For instance, Ulips have been widely castigated for the high premium allocation (includes agency commission) and other charges (like policy administration) that leave very little of the premium for investment. In some plans, these charges gobble up 60-80 per cent of the premium in the first year, a fact that has irked many Ulip investors, including Jain.

But in August 2009, the Insurance Regulatory and Development Authority (IRDA) imposed a limit on the charges by capping the difference between the gross yield and net yield of a Ulip to 2.25-3 per cent. The gross yield is what a Ulip would earn if no charges are deducted, while the net yield is what it would earn after all charges are deducted. If the difference between the two yields is capped at three per cent, it means insurance companies will have to reduce the charges on Ulips or distribute them evenly over the term of the plan. To do this, they would also have to launch longer duration plans. Right now, 10-15 years is the norm, but the change might lead to the launch of 25-30-year plans.

The regulation on capping of charges while good, is not enough. Manish Chauhan, personal finance advisor who founded Jagoinvestor.com says: "The insured has to be with the ULIP throughout its tenure to get the benefit." ULIPS today have a poor track record of policy retention, which is not likely to change in the near future.

The revised draft of the Direct Taxes Code (DTC) released on June 15 clarifies that investments (including life insurance policies) made before April 1, 2011, will continue to be governed by the existing tax rules till maturity. This means that income from all Ulips bought before the DTC comes into effect will continue to be tax-free (see box on next page). The other major investor-friendly proposal is the cap on surrender charges.

PROPOSED CAPS ON SURRENDER CHARGES WILL IMPROVE INVESTORS' RETURNS

Year	1	2	3	4	5	6
EXISTING	Up to 100% of premium or fund value	Up to 40% of annual premium; 30-60% of fund value	Up to 30% of annual premium; 20-30% of fund value	Up to 20% of annual premium; 5-20% of fund value	Up to 10% of annual premium; 0-10% of fund value	Nil
PROPOSED*	12.5%	10%	7.5	5%	2.5%	Nil
PROPOSED**	12.5%	15%	10%	7.5%	5%	2.5%

* For plans up to 10 yrs **For plans of over 10 yrs; Percentages are for fund value only

"These changes are likely to go a long way in making Ulips investor-friendly and a useful tool for long-term financial planning"

V. SRINIVASAN, CFO, Bharti AXA Life Insurance

Till now, besides the heavy deductions in the initial years, Ulips also levied fat surrender charges. These acted as a strong deterrent for anyone attempting to surrender in the first three years. So, instead of surrendering their policies, most customers just allowed their Ulips to lapse and waited for the lock-in period of three years before withdrawing the balance. The quantum of the charge and the method of computation also varied across insurers. Surrender charges were either levied as a percentage of the paid-up premium or as a percentage of the fund value.

Now, IRDA proposes to standardise the surrender charges and impose a limit (see table). This helps because the investor gets a clear picture at a glance and comparing plans becomes easier. However, there is no reason for elation. Ulips are a long-term investment and surrendering them early is not a good idea. Moreover, most Ulips still have

high upfront charges and would probably give negative returns in the first three years. Add to this the surrender charges and the disincentive to surrender is almost as strong as before. However, if an investor's circumstances don't allow him to pay the premium any more, the regulator has ensured that he recoups at least some of his money. "In exceptional circumstances, if the customer chooses to surrender, he will benefit since he will receive a higher fund value," says V. Srinivasan, CFO, Bharti AXA Life Insurance.

In another investor-friendly move, IRDA has proposed that if a policy lapses because of non-payment of premium, the corpus will earn a nominal interest of 3.5 per cent per annum till it is withdrawn by the policyholder. While 3.5 per cent per annum may seem low, given the high number of policies that lapse (according to IRDA, 91 lakh policies lapsed in 2008-09), the gains for investors work out to a gargantuan amount. IRDA also wants the minimum lock-in period of three years for Ulips to be increased to five years. On the face of it, this seems an unfriendly move for the investor as it curbs the liquidity for the policyholder. But this actually helps investors by cutting down on chances of mis-selling.

The lure of high commissions often motivates unscrupulous agents to push Ulip investors to stop paying premiums and withdraw the amount after three years. This is a costly strategy for the investor because he has already suffered high charges levied in the initial years. By increasing the minimum lock-in period to five years, IRDA has aligned Ulips with a long-term horizon. "Distributors will no longer be able to push Ulips as three-year plans," says personal finance consultant Raag Vamdatt, Founder of the advisory service RagVamdatt.com. Insurance companies are also happy with the change. "Exiting prematurely from Ulips is not beneficial for investors.

HOW THE CAP ON CHARGES HELPS

- Suppose Rs 10,000 is invested in a Ulip every year for 10 years.
- Invested amount reduces due to 45% charges in first year, 40% in second year, 30% in third year and 2% per year thereafter.
- If fund grows at 10%, the fund value would be Rs 1.46 lakh after 10 years.
- The net yield for the investor works out to 6.74%, while the gross yield is 10%.
- The difference between gross and net yield is capped at 3% for 10-year plans.
- To comply with this rule, the charges will have to be reduced to 30% in the first year, 20% in the second year, 5% in the third year and 2% per year thereafter. Then the net yield will be 7.23%.

Increasing the minimum lock-in period to five years will promote the long-term investment and financial protection characteristic of Ulips," says Srinivasan.

That's not all. Distributors may also have to clearly state how much commission they will pocket for selling the policy. IRDA plans to make it mandatory for insurance agents to state this in the benefit calculation they give to potential investors. This is expected to bring in greater transparency but there are doubts whether the average investor understands the calculations at all. Besides, insurance agents brazenly violate IRDA guidelines on the maximum returns to be assumed in such calculations. While IRDA has stipulated six per cent and 10 per cent, agents generally use a higher rate of 15-18 per cent in their calculations, thus making the result more attractive for potential buyers.

In many of the changes proposed by IRDA, the underlying objective is to emphasise the insurance cover. For instance, top-up contributions in Ulips, which do not attract any charges because they are pure investments, will also be used to buy a life insurance cover for the policyholder. What this also means is that a small proportion of the top-up investment will go into mortality charges. This will, though, make top-ups more complicated, while providing only a small insurance cover to the policyholder. "Though every top-up will give additional insurance to the insured, the amount will be too insignificant to matter. While the effort is not worth it, additional medical tests may still be required from the insured person; while for us factoring the top-up will become an underwriting challenge," says G.L.N. Sharma, an actuary and currently Managing Director, Hannover Reinsurance."

In its zeal to expand insurance coverage, IRDA also proposes to make it compulsory for unit-linked pension plans to offer life or health cover. This is bad news for investors. A compulsory mortality charge in the pension plan will reduce the amount of investment flowing into retirement savings. Till now, pension plans were cheaper than Ulips because they didn't have an insurance component. If the proposal goes through, pension plans will become just as costly.

Read the following story to know what to look for when you buy a Ulip. ⊙

Courtesy: *Money Today*

For more information on DSP BlackRock Mutual Fund Call our Toll Free Number: 1800 200 4499

DSP BlackRock Micro Cap Fund (DSPBRMCF) an open ended equity growth scheme seeking to generate long term capital appreciation from a portfolio that is substantially constituted of equity and equity related securities, which are not part of the top 300 companies by market capitalisation. **Asset Allocation:** Equity and equity related securities which are-(A) not part of top 300 stocks by market cap: 65% - 100%, (B) in the top 300 stocks by market cap: 0% - 35%; Of 1(A) & 1(B), investments in ADRs, GDRs & foreign securities: 0% - 25%; Debt and Money Market Securities: 0% - 35% (Debt securities may include securitised debt upto 10% of the net assets). **Features:** Minimum investment: Regular Plan - Rs. 10,000/- and Institutional Plan - Rs. 5 Crore. Entry Load: Nil. Exit Load: Holding Period from the date of allotment < 12 months : 1%; >= 12 months : NIL. **DSP BlackRock Focus 25 Fund (DSPBRF25F)** is an open ended equity growth scheme seeking to generate long-term capital growth from a portfolio of equity and equity-related securities including equity derivatives. The portfolio will largely consist of companies, which are amongst the top 200 companies by market capitalisation. The portfolio will limit exposure to companies beyond the top 200 companies by market capitalization upto 20% of the net asset value. The Scheme will normally hold equity and equity-related securities including equity derivatives, of upto 25 companies. Further, the Scheme will also have at least 95% of the invested amount (excluding investments in debt securities, money market securities and cash and cash equivalents) across the top 25 holdings in the portfolio. The Scheme may also invest in debt and money market securities, for defensive considerations and/or for managing liquidity requirements. There can be no assurance that the investment objective of the Scheme will be realized. **Asset Allocation: 1(a)** Equity and equity related securities, which are amongst the top 200 companies by market capitalization* - 65% - 100%; 1(b) Equity and equity related securities, which are beyond the top 200 companies by market capitalization - 0% - 20%; Of 1(a) and 1(b) above, investments in ADRs, GDRs and foreign securities - 0% - 25%; 2. Debt securities, money market securities and cash & cash equivalents - 0% - 35%. *The portfolio will largely consist of companies, which are amongst the top 200 companies by market capitalisation. The portfolio will limit exposure to companies beyond the top 200 companies by market capitalization to 20% of the net asset value. The Scheme will also have at least 95% of the invested amount (excluding investments in debt securities, money market securities and cash & cash equivalents) across the top 25 holdings in the portfolio. **Features:** Min. Investment: Rs. 5,000 and multiples of Re. 1/- thereafter. Load Structure & Expenses: Entry Load - NIL. Exit Load: 1.00% for holding period < 12 months, NIL for holding period >= 12 months. Combined features: SIP/SWP/STP and nomination facilities available subject to terms of Scheme Information Document and Statement of Additional Information. Declaration of NAV on all Business Days. **Statutory Details:** DSP BlackRock Mutual Fund was set up as a Trust and the settlors/sponsors are DSP ADIKO Holdings Pvt. Ltd. & DSP HMK Holdings Pvt. Ltd. (collectively) and BlackRock Inc. (Combined liability restricted to Rs. 1 lakh). Trustee: DSP BlackRock Trustee Company Pvt. Ltd. Investment Manager: DSP BlackRock Investment Managers Pvt. Ltd. **Risk Factors: Mutual funds, like securities investments, are subject to market and other risks and there can be no assurance that the Scheme's objectives will be achieved. As with any investment in securities, the NAV of Units issued under the Scheme can go up or down depending on the factors and forces affecting capital markets.** Past performance of the sponsor/AMC/mutual fund does not indicate the future performance of the Scheme. Investors in the Scheme are not being offered a guaranteed or assured rate of return. Each Scheme/Plan is required to have (i) minimum 20 investors and (ii) no single investor holding>25% of corpus. If the aforesaid point (i) is not fulfilled within the prescribed time, the Scheme/Plan concerned will be wound up and in case of breach of the aforesaid point (ii) at the end of the prescribed period, the investor's holding in excess of 25% of the corpus will be redeemed as per SEBI guidelines. **The names of the Schemes do not in any manner indicate the quality of the Schemes, their future prospects or returns.** For scheme specific risk factors, please refer the Scheme Information Document (SID). For more details, please refer the Key Information Memorandum cum Application Forms, which are available on the website, www.dspblackrock.com, and at the ISCs/Distributors. **Please read the Scheme Information Document and Statement of Additional Information carefully before investing.**

Before You INVEST

If you are window-shopping for a Ulip, here are some of the essentials you should consider.

BY NITYA VARADARAJAN

Despite several changes in Ulips in the recent past, their core has not changed. They remain long-term investment-cum-insurance plans and are as prone to mis-selling as ever. It is therefore important that investors understand how Ulips can work for them as an investment product. We asked experts on the type of investors who should go in for Ulips, things to keep in mind and ways to choose the right policy.

Who Should Invest

The foremost requirement of Ulips is that the buyer should be willing to invest in equities. If he opts for a debt or liquid fund, the Ulip will lose its edge over a traditional policy. "Debt and liquid funds offer very low returns. Given the high charges of Ulips, the buyer can get the same returns from a traditional money-back plan," says Karthikeyan Jawahar, a Coimbatore-based certified financial planner. You also need to be proactive.

WHY YOU SHOULD BUY A ULIP BEFORE MARCH 31

Tax-free income is one of the biggest draws of life insurance. But the Direct Taxes Code (DTC) proposes to change the rules. An insurance policy must offer a life cover of at least 20 times the annual premium for the income to be tax-free. So, a Ulip with an annual premium of Rs 50,000 must have a cover of Rs 10 lakh to qualify for tax exemption. The original DTC draft released last year was ambiguous on whether this rule would apply retrospectively or after the code comes into effect from April 1, 2011.

The policyholders whose plans were set to mature went into a tizzy and financial planners were advising clients to not buy long-term products. Now, the revised DTC draft has clarified that existing investments will not be affected, which means that your investments in Ulips and your withdrawals during maturity or earlier are completely tax-free for existing policies.

This makes Ulips a great investment right now. "We believe Ulips will emerge as the best instrument for financial protection, covering a wide gamut of financial needs, including wealth generation," says V. Srinivasan, CFO, Bharti AXA Life Insurance. Buying a Ulip becomes even more compelling if you take into account that gains from equities will no longer be tax-free after DTC comes into effect. But if one buys a long-term plan for 20-25 years before March 31, he can continue earning tax-free income from stocks till the plan matures.

Financial planning consultant Manish Chauhan points out that an "invest and forget" approach won't yield high returns. "The biggest advantage of a Ulip is the switching facility. If an investor is adept at switching between equity and debt, he can gain from market movements and protect his wealth from the downsides," he says. If the buyer doesn't know the basics of the capital market, he should steer clear of Ulips.

Which Plan is the Best

Ulips are insurance plans that cover the risk of death. However, the insurance cover comes with riders. Some Ulips (also called Type I plans) give only the sum that is the higher of the two — fund value or sum assured. These plans stop deducting mortality charges after the fund value crosses the sum assured, rendering the insurance cover meaningless. What good is a Rs 2-lakh cover when the fund value is Rs 2.5 lakh and the nominee gets only the higher amount? Chauhan advises that investors should choose the Ulips that give both the fund value and sum assured on death. These are the Type II Ulips, which deduct mortality charges throughout the term, but also ensure that the insurance objective of the Ulip remains intact. The other thing to keep in mind is that the simpler the plan, the better it is. A Ulip is a complicated product and if more complexities are built into it, it leads to greater confusion. Says Suresh Sadagopan, certified financial planner and Director of Ladder7 Financial Advisories: "There are Ulips that even financial planners find difficult to understand. So, how can the average investor know if it will work for him?" Instead, choose a simple Ulip that invests your money in the market as per the asset allocation chosen by you.

Which Features to Choose

Ulips are front-loaded because insurers have to recover their marketing and sales expenses. Yet, these charges differ across insurers and plans. Choose a plan that does not levy too high a charge in the initial years. Also, invest in a Ulip for at least 10 years. Given the high charges in the initial years, a Ulip will start making money for the investor only after the seventh or eighth year. "Don't go for plans of less than 10 years if you want to reap the benefits of a Ulip," says Deepak Yohannan, CEO and co-founder of iGear Financial Services. Experts also advise opting for the highest possible risk cover offered by a plan. While it is tempting to go for the minimum cover because mortality charges are low, pick a risk cover of 20 times the annual premium. It's a good idea to choose a plan that gives you the flexibility to increase or decrease the risk cover anytime during the term of the plan. ⊙

Courtesy: *Money Today*

THE COST FACTOR

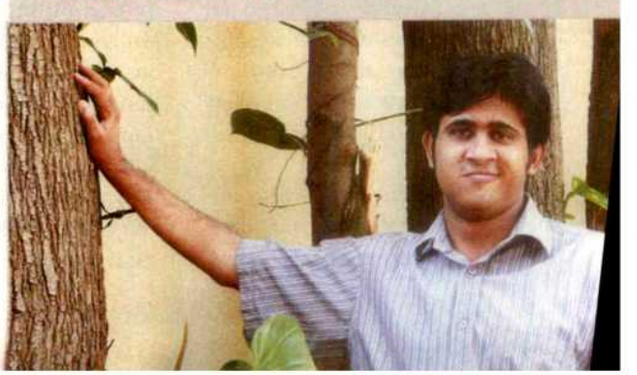
Most financial planners and consultants insist that Ulips are costlier than mutual funds, considering the commissions paid to agents. However, this is only true for short-term investments. In the long term, Ulips are cheaper for investors as the commission paid reduces drastically. Ulip commissions can be as high as 20-40 per cent of the premium paid in the first year, but this reduces to two per cent from the second year. The commission is a fixed percentage of the premium paid. So, if an investor pays a premium of Rs 1 lakh per year, the commission in the first year is between Rs 20,000 and Rs 40,000, but only Rs 2,000 thereafter.

Mutual fund costs, including commissions, are generally unknown to investors. Trail commission – what a distributor earns directly from the asset management company (AMC) – is a fixed percentage of your cumulative investment in the fund. It can range from 0.1-1 per cent. Most AMCs pay a competitive 0.4 per cent. For example, if your investment in a fund is Rs 10 lakh and the AMC pays 0.5 per cent trail commission, your agent earns Rs 5,000. As your investment value grows every year, so does the agent's commission. In the long term, fund commissions exceed the Ulip charges.

So, why do agents mis-sell? The cost of the products is such that agents get paid a higher commission on mutual funds in the long term, while Ulips are attractive for the short term (five years). Though the total costs are capped, those on yearly basis are not, and this allows for high charges in the initial years for Ulips. There are also chances that the agent will encourage the investor to surrender the policy or let it lapse after a few years to sell him/her more financial products. Even though IRDA had introduced initiatives to deter mis-selling – limiting the difference between gross and net yield to 2.25-3 per cent for different tenures and increasing the lock-in period for Ulips to five years – the practice continues to be prevalent.

"Mutual funds cost the investor a higher commission over the long term, compared to Ulips, which are expensive in the short term"

MANISH CHAUHAN, Financial Planning Consultant



TV Redefined

High definition is the new boy in TV town and BT recommends that you invest in an HDTV set-top box.

BY KUSHAN MITRA

All of a sudden, most direct-to-home satellite TV providers — Dish TV, Tata Sky, Airtel, Sun Direct and BIG — have started high definition, or HD, broadcasts. After last year's push towards digital video recorders, is this the latest gimmick by the satellite service providers to get you to spend your money? While a recorder may not have been the best investment, we believe an HD box is actually a good investment.

Were you floored by the sharpness and clarity of the image of the demo video on the LCD (short for liquid crystal display) TV in the showroom? And then ended up disappointed at home where TV broadcasts looked washed-out, stretched and blurred? What made the difference was HDTV. Your so-called "Full HD" TV set can show images with 1,080 lines of vertical resolution, but regular TV broadcasts or standard definition (SD) comes with only 480 lines of vertical resolution.

In the process of stretching the image to fit your 37-, 40- or 50-inch screen, the image was pulled and became unclear. It even felt like the picture quality was superior on your old picture tube TV than on your new and expensive wall-mounted flat panel.

High definition channels fix that as they are natively broadcast on HD. Most set-top boxes with HD capabilities also 'upscale', that is, they improve SD broadcasts as well. But when you watch an HD channel, the difference is palpable.

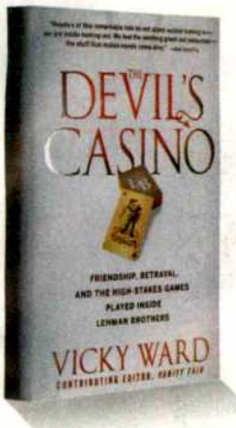
In recent weeks, your correspondent watched Wimbledon tennis on a 40-inch Full HD LCD set hooked up to an HD Airtel DTH, as direct-to-home satellite TV is commonly called, connection. The lines on the Centre Court at Wimbledon were stunningly clear. So was the perspiration on Rafael Nadal's brow as he overpowered Tomas Berdych. The image was not stretched to fit the screen and you could even see individual blades of grass, if you looked hard enough.

An HD upgrade of your existing DTH box will cost Rs 2,000-2,500, depending on your service provider. Upgrading your box is pretty much just that: Your old box and remote are taken back and you get a new, HD-compliant box with an HD Multimedia Interface, or HDMI, cable out. Your dish antenna remains the same. A new HD DTH box and connection will cost upwards of Rs 3,000. Subscription to HD channels could set you back an additional Rs 100 every month. Honestly, if you have spent Rs 50,000 on an LCD TV, you can't really quibble over such sums.

Still, in the interest of being balanced, there are some very good reasons why you should not get an HD DTH connection. The first is that you still have a tube TV. The second, that TV anchors and actors will look less pretty.

The third and biggest reason is that there is not that much HD content as of now. ESPN Star Sports, which broadcast Wimbledon and the soccer World Cup, had nothing on its channel when the matches were not on. And, if you are a Hindi soap lover, only Colors is available in HD right now and that too only on a couple of HD DTH platforms.

It's only a matter of time before things change. Already, the grizzlies or Great Whites on National Geographic and Discovery HD make for a chill down the spine — and we remain steadfast in our recommendation: Yes, go HD. ⊙



The Devil's Casino
AUTHOR: VICKY WARD
PUBLISHER: John Wiley & Sons
PAGES: 270
PRICE: Rs 1,250

The Lehman Roulette

Vicky Ward has written a thriller on how the rot set in and destroyed an icon, says JOSEY PULIYENTHURUTHEL.

How did an investment powerhouse with a 150-year history go belly up overnight? A pedigree heavily pockmarked by risk did it in, in short. For more, turn to *The Devil's Casino: Friendship, Betrayal, and the High-Stakes Games Played Inside Lehman Brothers* by Victoria Penelope Jane Ward, better known as Vicky Ward.

The book tells everything good and bad at the marquee (when alive) investment bank and, on the way, has raced to the *New York Times* bestseller list. Its brilliant narrative, steeped in deep, multi-level investigation, is the best financial read to hit the shelves in a while. This reviewer assessed Harry Markopolos' *No One Would Listen* for BT readers in May, calling it "unputdownable; *The Devil's Casino* is better.

The envy of any reporter, Ward's 270 pages of work replete with anecdotes and detail tells the story of Lehman through three central characters — CEO Dick Fuld, Joe Gregory, its President and Chief Operating Officer (COO) when Lehman filed for bankruptcy late in 2008, and Chris Petit, President and COO until November 1996.

Fuld, who was the subject of bad press for attempting to divert blame for the investment bank's demise, is painted as an ambitious professional with his sights set on overtaking the bigger Goldman Sachs. Gregory is shown as a guileful professional who always knows which side of his toast is buttered and how to make it stay that way. Petit, a decorated Vietnam veteran, is the good guy — focussed on teamwork, fairness and happy to run the foot soldiers as Fuld reigned.

Sample the richness of reporting in *The Devil's Casino*. After hedge fund Long-Term Capital Management went bankrupt in September 1998, Lehman was under the lens as one of the Wall Street investment banks that may have been badly wounded. Ward describes an interaction that November Fuld had with his Chief Financial Officer John Cecil: 'At one point Cecil feared Standard & Poor's would hold its rating (on Lehman). He went to Fuld and said, "We're dead." Fuld replied, "Can't be. Go back." He then lay down in the corridor outside of his office and looked up at the diminutive CFO. "Do you want me to lie down like this?" Cecil went back to S&P and prevailed.'

The culture at Lehman, concludes Ward, was one that was built on lies, subterfuge and nepotism. A fair share of this exists at every organisation, to be sure, but her point is that this culture alienated and eliminated capable and conservative brains, who would have kept risk at manageable levels at the firm and, perhaps, helped it stay alive even today.

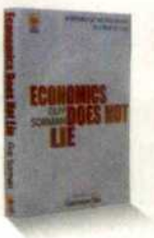
Ward's research is intense and long. She lost count of the hours of interviews she had conducted. When she was on her 106th tape (each tape 180 minutes long) of interviews, her tape recorder broke down. And, that was at just about one-fourth of her work.

Through the book, there is only one shadow of doubt in this reviewer's mind. Given the whispers on how Goldman Sachs pulled through the financial meltdown of 2008 with the blessings of the powers at Washington D.C. (Treasury Secretary Hank Paulson was formerly top honcho at Goldman), one wonders if there is some sublime messaging coming through: Goldman and Wall Street investment banks look like kind souls in the book. Heck!

Still, a great read ⊙

The culture at Lehman was built on lies...this culture eliminated capable brains who would have kept risk at manageable levels at the firm.

BOOKMARKS



Economics Does Not Lie
By Guy Sorman
Full Circle Global
Pages: 372
Price: Rs 495

The author argues that free-market economics has powered three decades of growth, and should not be blamed for the current crisis.

How an Economy Grows and Why it Crashes
By Peter D. Schiff and Andrew J. Schiff
John Wiley & Sons
Pages: 227
Price: Rs 958

Using an allegory based on an island society, the authors set out to explain a complex science and point out the flaws of the bailout strategy.

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Proposals are invited for 25 yrs / 178 cms, Hindu, Yadav, BE, MS, wealthy family. Seeks well-settled groom, age 26 – 30 yrs, height above 179 cms. Should be professionally qualified and reside in USA / Europe. Contact Relationship Manager at +91 9600092409

27-year-old Bengali, Kayastha, living in Kolkata, MBA from Thunderbird University – USA, wealthy family, seeks suitable groom, age 28 – 30 yrs. Should come from a wealthy family. Caste no bar. Contact Relationship Manager at +91 9830045495

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Returning After a Career Break?

Be explicit about the reasons with your potential employers. BY SAUMYA BHATTACHARYA

Looking for a job after a break in employment is rarely easy. While a sabbatical for study or an illness is not difficult to explain in your job hunt, lay-offs or redundancies stemming from an organisational restructuring can spell trouble if not handled properly.

Organisations in India tend to be concerned if you seek employment with them after a lay-off. "Outside India, lay-offs are a part of life. In India, this gets viewed with concern, and even a degree of social stigma is attached to it," says N.S. Rajan, Partner and a People & Organisation Leader at Ernst & Young. A career break has a significant impact on the conversation for a new job. In such a scenario, what should you do?

First, you should look for a job, if possible, through people you know such as your peers in your former workplace or your mentors who know your professional strengths. Using your network and contacts is also an easier option because one, you can be up front about the reasons for the break, and two, your skills, strengths and competence will be known to them.

In your résumé, suggest experts, clearly state the chronology of your career, including the break, and the reasons for it. You are also likely to have acquired some skill during your time off, so focus on that. Do not dwell on past difficulties and issues. The idea is to convey your strengths.

When discussing your break with a potential employer, you should have the integrity to explicitly discuss the reasons for leaving your earlier job. But are organisations receptive to such transparency on the part of a candidate? "Though it is the tougher option, I would still recommend it as it would be the right thing to do," says Rajan, adding: "Remember, when you disclose what you need to, you will not worry about verification checks."

Lay-offs as a function of business and

redundant roles in time of organisational restructuring are market-related situations. "The best way to approach a new job is to research and understand the basic requirements of an organisation and juxtapose your talent to make the right fit," says Asim Handa, Country Manager at Futurestep India, part of headhunting firm Korn/Ferry.

While looking for a job, you may want to explore your prospects with the company you worked for earlier, especially if your departure was a result of your role becoming redundant. If this option is not feasible, you could look for companies in a similar space by approaching placement or search firms.

In his book *What Color is Your Parachute?* Richard Nelson Bolles says: "There is no 'always right' way to hunt for a job." Bolles's prescription for a successful job hunt? "The more work, the more thinking you put into pursuing your job hunt, and doing the homework on yourself, the more successful your job hunt is likely to be." ⊙

NO FULL STOPS

- Continue to network even when you are not active in the job market
- Approach your earlier employer in case your role became redundant in a tough economy
- Initiate a new job hunt through your contacts and networks
- In your résumé, clearly state the chronology of your career, including the break
- Be prepared to explain the reasons for the break at the time of interview
- Don't be apologetic or negative about your career break

SUGGESTED READING

JOBS IN THE SUN: GAP YEAR AND CAREER-BREAK OPPORTUNITIES
By Charles Davey

WHAT COLOR IS YOUR PARACHUTE?
By Richard N. Bolles

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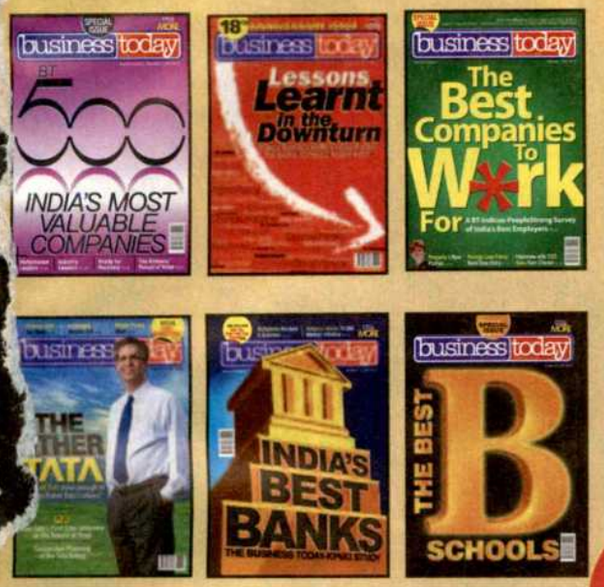

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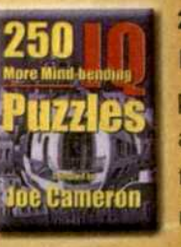

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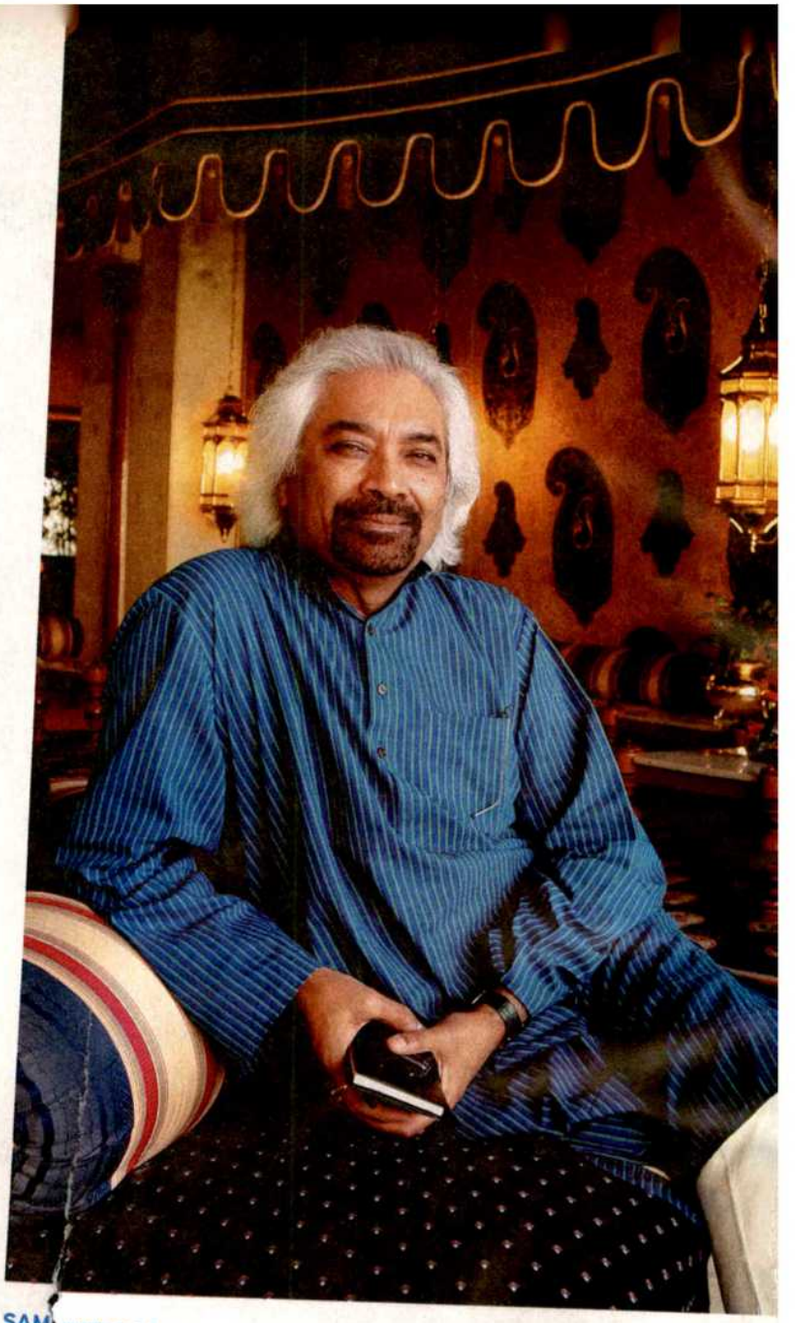
SONAL HOLLAND

A Heady Mix

When the London-based The Antique Wine Company, which trades in exceptionally rare vintages, finally decided to come to India, it turned to **SONAL HOLLAND**, 37, a wine educator and independent consultant. An MBA from the University of Mumbai, she has advised hotels, restaurants and international wine companies on the Indian market, and also organised wine-tasting sessions. "The Antique Wine Company stocks some of the world's most sought after wines like Château Margaux and the 2009 vintage wines of Bordeaux and Burgundy, which are known to appreciate in value," says Holland, whose husband Andrew Holland is CEO, Institutional Equities, Ambit Capital. She wants to help her clients widen their wine portfolio not only for consumption, but investments, too — both for profit and pleasure. Why not?

ANUMEHA CHATURVEDI



SAM PITRODA

Second Helping

SAM PITRODA, 68, played a critical role in bringing about a sea change in the telecom space in India some 25 years ago when he pushed for the creation of thousands of public call offices (PCOs) across the country. These PCOs not only gave millions of Indians connectivity, but also huge funds to what is today Bharat Sanchar Nigam Ltd (BSNL). But these days, Pitroda is attracting the ire of BSNL employees. A government panel he headed has suggested hiring a CEO from the private sector, voluntary retirement for a third of BSNL's 300,000-plus employees and a 30 per cent divestment. By calling for BSNL to be more independent, he has also irked Communications Minister Andimuthu Raja. With the state-owned operator in a rut and losing market share every passing day, the panel's suggestions could well give the telecom giant a second life.

KUSHAN MITRA

NOKIA N8

The Last Hope

This phone has been dubbed as Nokia's last hope in the smartphone category, following the failures of the Nokia N97 and N900, which came late into a market full of iPhones, Android phones and BlackBerrys. The N8 will feature Nokia's new Symbian^3 platform and will be the first phone from the Finnish company to feature a capacitive 'multitouch' screen. Yet, with a launch time of October, a measly 680 megahertz processor, compared to competitor devices running gigahertz class processors, an unproven operating system with not enough independent applications, it might be a case of too little, too late. We do like the 12-megapixel camera, though.

PRICE: Rs 25,000 plus

KUSHAN MITRA

CZECH REPUBLIC

Prague Unveiled

More than 20 years after the fall of Communism, the popularity of Prague as Europe's premier tourist destination shows no signs of abating. The combination of a thrilling history and glorious architectural achievement remains as compelling as ever. While the city centre is a mélange of stunning architecture, beyond the medieval lanes of the Old Town and the Castle District lies an entire other cosmopolitan city to explore. Search out the riverside parks, lively bars and beer gardens, music clubs, museums and art galleries. You'll probably even wish you could stay longer. ⊙

N.MADHAVAN

SHEKHAR GHOSH

BALA V. BALACHANDRAN

Lessons for B-schools

When BALA V. BALACHANDRAN says that business education is at a crossroad, you pay heed. After all, Balachandran, 73, has been instrumental in steering top business schools of the world. He continues as the J.L. Kellogg Distinguished Professor of Accounting, Information and Management, and Director of Accounting Research Center even today. He has, of course, founded Great Lakes Institute of Management at Chennai. Says Balachandran: "The fundamentals of education need not change, but it's time to rope in new values. Greed must go out of the system." And Balachandran has decided to make this change happen. A business school at Kolkata will be the first to take off. Business schools such as these will be corporate excellence centres and will focus on just one stream of management. "Uncle Bala", as his students at Great Lakes call him, has been involved in setting up management institutes in India, including Indian School of Business, Hyderabad; Mumbai Business School; and the Indian Institute of Corporate Affairs, being set up by Ministry of Corporate Affairs in Manesar, Haryana.

SAUMYA BHATTACHARYA

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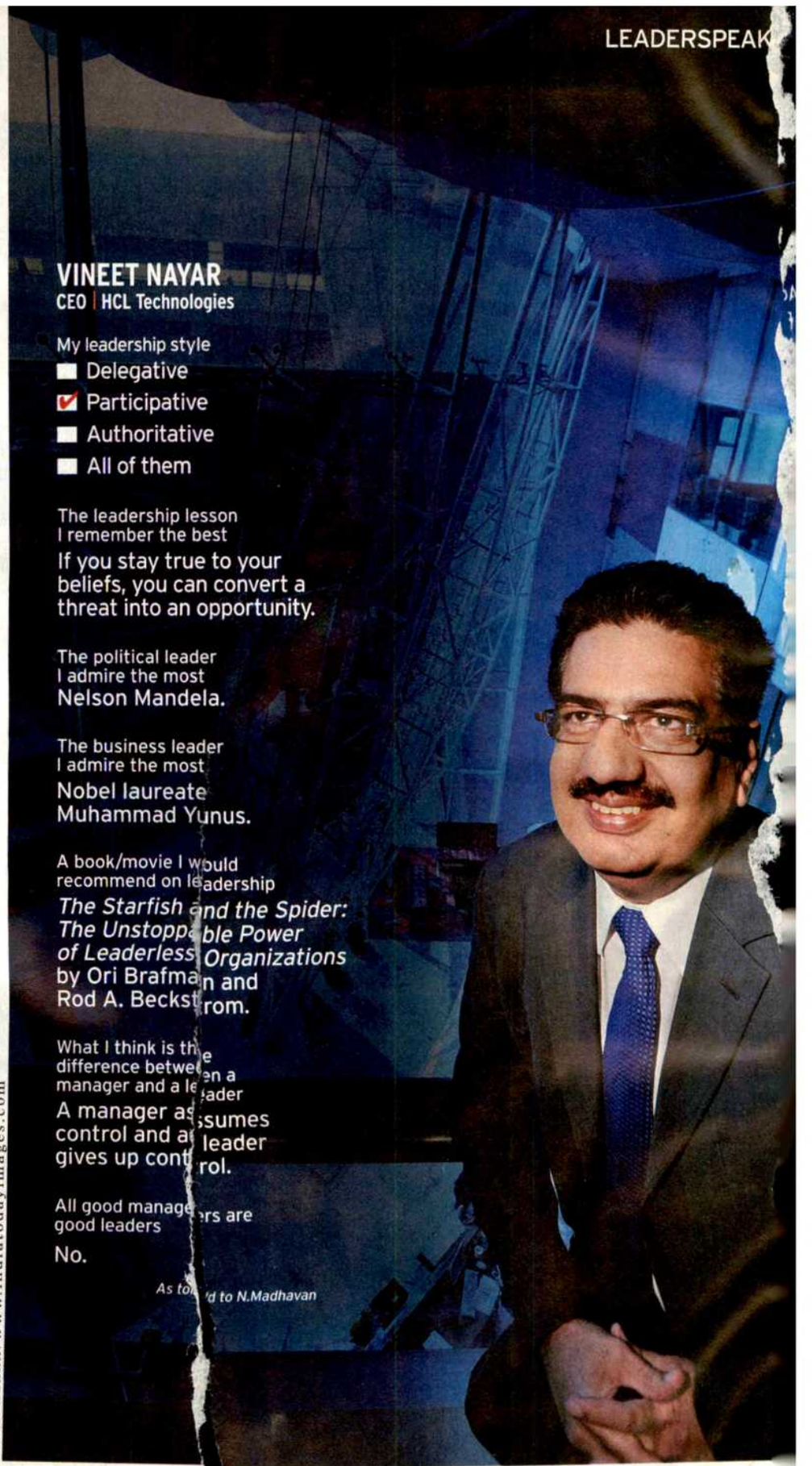

VIVAN MEHRA/www.indiatodayimages.com

VINEET NAYAR
CEO | HCL Technologies

My leadership style
- ☐ Delegative
- ☑ Participative
- ☐ Authoritative
- ☐ All of them

The leadership lesson I remember the best
If you stay true to your beliefs, you can convert a threat into an opportunity.

The political leader I admire the most
Nelson Mandela.

The business leader I admire the most
Nobel laureate Muhammad Yunus.

A book/movie I would recommend on leadership
The Starfish and the Spider: The Unstoppable Power of Leaderless Organizations by Ori Brafman and Rod A. Beckstrom.

What I think is the difference between a manager and a leader
A manager assumes control and a leader gives up control.

All good managers are good leaders
No.

As told to N.Madhavan

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*Source: According to a leading customer satisfaction survey agency's study conducted in 2009. †Source: TrueValue used car purchase data.

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